AMERICAN BANKER • PHYSICIANS' DESK REFERENCE • CLARK BOARDMAN CALLAGHAN DELMAR • THOMSON EUROFUN • PASADENA STAR-NEWS • GLASS'S GUIDE • ABERDEEN PRESS AND JOURNAL • THE BOND BUYER LUNN POLY • ANDERSON HERALD-BULLETIN FIRST CALL • PATIENT CARE • LAWYERS COOPERATIVE PUBLISHING • GALE RESEARCH GLENIGAN • HORIZON • TERRE HAUTE TRIBUNE-STAR • SOUTH WALES ECHO • AUTEX • MITCHELL INTERNATIONAL • THOMSON DIRECTORIES SKYTOURS • SAN GABRIEL VALLEY TRIBUNE MEDICAL ECONOMICS • BRITANNIA AIRWAYS THE GLOBE AND MAIL • MILADY • THE LAW BOOK COMPANY • BELFAST TELEGRAPH

THE THOMSON CORPORATION

ANNUAL REPORT 1992

SCOTLAND ON SUNDAY • THOMSON WORLD-WIDE • NIAGARA FALLS REVIEW • THOMSON & THOMSON • BOYD & FRASER • ROUTLEDGE RESEARCH INSTITUTE OF AMERICA • POLICE REVIEW • THE SCOTSMAN • THOMSON SUMMER SUN • WINNIPEG FREE PRESS INVESTEXT • INSTITUTE FOR SCIENTIFIC INFORMATION • PRACTITIONERS PUBLISHING COMPANY • NELSON CANADA • THOMSON AMERICAN FREEDOM • VICTORIA TIMES-COLONIST • CDA INVESTMENT TECHNOLOGIES DERWENT PUBLICATIONS • THOMAS NELSON AUSTRALIA • SWEET & MAXWELL • THOMSON A LA CARTE • APPLETON POST-CRESCENT INTERNATIONAL FINANCING REVIEW BANCROFT-WHITNEY • LETHBRIDGE HERALD RESEARCH PUBLICATIONS • JANE'S FIGHTING SHIPS • THOMSON LAKES & MOUNTAINS CHARLESTON DAILY MAIL • FRAMES THOMAS NELSON UK • WARREN GORHAM LAMONT • SOUTH-WESTERN PUBLISHING CO ALTOONA MIRROR • CHAPMAN & HALL THOMSON CITYBREAKS • WARREN TRIBUNE CHRONICLE • FAULKNER & GRAY • VAN NOSTRAND REINHOLD • NFER-NELSON • SKI THOMSON • LAFAYETTE DAILY ADVERTISER WADSWORTH • THUNDER BAY CHRONICLE-JOURNAL • KARNOV • BROOKS/COLE BYGGFAKTA • THOMSON FLORIDA FUN CANTON REPOSITORY • HEINLE & HEINLE MOSTRUP DIRECTORIES • NEWCASTLE JOURNAL • MANSFIELD NEWS JOURNAL • ILX SYSTEMS • MICROMEDEX • CARSWELL COURSE TECHNOLOGY • CONNECTICUT POST

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The Thomson Corporation

The principal activities of The Thomson Corporation are specialized information and publishing, newspaper publishing, and leisure travel. The Corporation operates primarily in North America and the United Kingdom.

We will develop by enhancing and expanding our existing interests through active new product development programs, concentrating on high quality products in leadership positions in strong or growing markets. This organic growth will be supplemented by carefully selected acquisitions closely related to our existing businesses.

The Thomson family owns some 70% of the Corporation's common shares and the balance is held by institutional and individual investors primarily in North America and the UK. The shares are listed on the Toronto, Montreal and London stock exchanges.

Summary of Financial Information

(millions of US dollars except per common share amounts)	**1992**	1991
Sales		
Thomson Information/Publishing	**2,651**	2,390
Thomson Newspapers	**1,125**	1,142
Thomson Travel	**2,204**	2,057
	5,980	5,589
Operating profit before amortization and impairment		
Thomson Information/Publishing	**401**	363
Thomson Newspapers	**198**	228
Thomson Travel	**115**	101
	714	692
Operating cash flow		
Thomson Information/Publishing	**513**	464
Thomson Newspapers	**249**	270
Thomson Travel	**186**	164
	948	898
Earnings attributable to common shares (1)	**166**	292
Earnings per common share (1)	**$0.30**	$0.53

(1) Earnings and earnings per common share in 1992 are shown after the exceptional charge for the impairment of circulation and goodwill of $170 million ($0.30 per common share). But for this charge, earnings and earnings per common share would have been $336 million and $0.60 per common share.

Directors' Report

Kenneth R Thomson, Chairman, TTC (centre), with (left) Michael Brown, President, TTC and (right) John A Tory, Deputy Chairman, TTC.

Despite the continuation of difficult economic conditions in all our principal marketplaces, earnings and earnings per common share, before the charge for the impairment of circulation and goodwill referred to below, increased by 15.1% and 13.2%, respectively. Furthermore, we continued to make good progress in positioning and developing our businesses and products to ensure that they will grow and prosper in the much more challenging competitive environment of the 1990s.

Total sales increased by 7.0% to $5,980 million. Thomson Information/ Publishing Group's (TIPG) sales increased by 10.9% to $2,651 million and Thomson Travel Group's (TTG) by 7.1% to $2,204 million. Thomson Newspapers' (TN) sales declined by 1.5% to $1,125 million.

Total operating profit before amortization, and impairment of circulation and goodwill increased by 3.2% to $714 million. TIPG's operating profit increased by 10.5% to $401 million and TTG's by 13.9% to $115 million. TN's operating profit fell by 13.2% to $198 million. North American activities accounted for 70% of our total operating profit, and the UK, other European and Australian activities for 30%.

Following a comprehensive review of our newspaper operations in both North America and the UK, we have recorded an exceptional charge, which has no cash flow impact, of $170 million ($0.30 per common share) against our 1992 earnings for the impairment of circulation and goodwill.

Earnings attributable to common shares were $166 million, compared with $292 million in 1991. Earnings per common share were $0.30, compared with $0.53. But for the impairment of circulation and goodwill, earnings and earnings per common share would have been $336 million and $0.60 respectively.

Dividends declared payable on common shares in 1992 totalled $254 million, compared with $251 million in 1991. However, as a result of the dividend reinvestment plan, net cash dividend payments were $158 million (1991 – $160 million). The dividend declared payable on June 15, 1993 has been maintained at 11.3 cents per common share.

Cash flow per common share, based on cash provided by operations (before working capital changes) less dividends paid on preference shares, was $1.32 for the year, compared with $1.19 in 1991. This increase was due principally to an improvement in both TTG's and TIPG's cash generation. Net capital expenditures totalled $288 million, and we spent $336 million on acquisitions.

For further financial details shareholders are referred to Management's Discussion and Analysis on pages 22 to 29. The Review of Operations on pages 5 to 21 deals more fully with the operating performance of our three business groups.

For over three years now, most of the Corporation's businesses have been operating in difficult market conditions, the recession across the English-speaking world having proved to be more protracted and extensive than any in the last 50 years.

Right across the Corporation we have responded vigorously. We have reduced unnecessary expense and increased efficiency through the application of technology; through rationalization and new organizational structures; and through better ways of conducting our operations. Several years ago, we determined that we had to be the lowest cost operator in each of our marketplaces for the standard of product or service provided. In most areas we have achieved this objective, and where we have not we are implementing specific action plans to secure this crucial competitive advantage. Further, when trading conditions improve, we are determined that there will be no let-up on these hard-won gains; indeed, we will be striving for further improvements in productivity.

(Left to right)
Robert C Hall,
Chief Executive Officer, TIPG;
Paul Brett,
Chief Executive Officer, TTG;
Michael W Johnston,
Chief Executive Officer, TN.
All are Executive Vice-Presidents of TTC.

We have continued to enhance our products and services to reflect customer needs, and have aggressively created additional new products. In addition, we have secured major improvements in marketing and sales, and have initiated extensive programs to improve customer service still further.

We have also invested heavily on capital account to capture the competitively vital benefits of technology; to modernize our airline; to expand our chain of holiday shops; and progressively to modernize our newspaper operations in both North America and the UK.

During the year, we completed the strategic acquisition of Institute for Scientific Information, the world's largest commercial provider of library research information to the scientific and academic communities, together with several smaller acquisitions closely related to our existing businesses. While we will continue to consider compelling, high quality acquisition prospects, our primary focus remains firmly on internally generated growth.

A high tempo of organic development is challenging managerially and requires the highest calibre of executives with the clearest direction. The pivotal competitive and differentiating advantage throughout the 1990s will be the quality of our top management group. While we have substantially upgraded our managements at the senior

and middle levels, this remains a continuing process. We are also developing a greater depth of management and are seeking greater stability as well. To this end, we continue to recruit carefully, to train and develop our executives, and to operate motivational incentive schemes. We are very grateful for the continuing positive commitment of all our staff during such a challenging year.

Our basic philosophy remains to build on success and to back our winners, and we will not hesitate to close or dispose of businesses where we cannot see a profitable future under our ownership. We remain committed to above-average real growth and superior performance, and we are well aware of the challenges this presents. We recognize that the pace of change, especially in technology, in customer expectations and in the political and social environments in which we operate, will continue to accelerate and that, while this poses threats, it presents many opportunities too. We have made good strategic, competitive and managerial progress in recent years and we are therefore well-placed for the future.

Mark D Knight (left),
Vice-President and Secretary, TTC
and Nigel R Harrison,
Executive Vice-President
and Chief Financial Officer, TTC.

There is no certainty about the timing or extent of economic recovery. While there are encouraging signs of improvement in the US, we see little evidence yet of a turnaround elsewhere. Indeed, we continue to feel that, throughout the remainder of this decade, external economic growth will be lower than previously experienced. Nevertheless, we remain optimistic and see many opportunities and much potential for well-managed businesses in our particular industries. We are confident that we will achieve our objectives and continue to increase the value of our businesses.

Approved by the board

K. R. Thomson — Michael Brown.

Kenneth R Thomson, Chairman — Michael Brown, President

Review of Operations

Thomson Information/ Publishing Group

Thomson Information/Publishing Group (TIPG) enjoyed a successful year in 1992. With sluggish economic activity worldwide and very exacting trading conditions in several marketplaces, growth, including acquisitions, of over 10% in both sales and operating profit (before amortization, and impairment of circulation and goodwill) and the maintenance of operating margins overall represented a good performance.

This reflects positively on TIPG's management team, on the actions implemented to succeed in these difficult times, as well as on the quality, stability and strength of the businesses themselves.

The performance of TIPG's six largely autonomous groups is described below.

Thomson Information Services Limited (TISL)

An overall improvement in sales, despite the recession's adverse impact on advertising revenues, demonstrates the underlying strength of TISL's group of international businesses. But for exceptional expenses, principally an accelerated write-off of development expenditure in Australia, profits would have been well ahead of the 1991 level.

In scientific and academic book and journal publishing, Chapman & Hall and Routledge enjoyed outstanding growth in both sales and profits and made substantial investments in a wide range of new products, including the three-volume *Dictionary of Inorganic Compounds*. The performance of all of TISL's book companies was enhanced by the excellent service provided by the group's administration and distribution centre at Andover in the UK.

TISL's companies which provide information services to various European construction industries and the UK and Australian automotive industries encountered highly competitive market conditions, and profits were lower than in 1991. However, current UK market testing of the *Glassmatix* computerized collision repair estimating service is proving highly encouraging.

In the defence industry, Jane's increased its sales of data services and, despite the continuing weakness of advertising revenues, profits were higher than in 1991. Although our business magazines serving the UK construction and various Australian markets experienced declining advertising revenues and profitability, we continued to invest in product renewal. After the year-end, we sold our loss-making business magazines in the UK.

In UK legal publishing, Sweet & Maxwell achieved further substantial growth in sales and profits. Investment in new projects and product enhancement continued at a high level, the *Current Law* program and supplements to *Archbold: Criminal Pleadings* being noteworthy examples. In the UK professional marketplace, Gee's *Essential Facts: Employment* made a successful debut. In Australia, The Law Book Company and Centre for Professional Development improved their operating results in a strongly competitive environment.

A selection of engineering and scientific publications of Chapman & Hall which, along with Routledge in the social sciences and humanities, enjoyed outstanding sales and profit growth in 1992.

Biology: The Unity and Diversity of Life, published by Wadsworth, one of ITP's most successful higher education products.

Karnov, our legal publisher in Denmark, confirmed its leading position; overall, our Danish businesses increased their profits by 25%, the local directory companies being especially strong performers.

While Thomson Directories (50% partnership) achieved only modest sales growth in the most testing of advertising marketplaces, profits were substantially higher, mainly as a result of cost reduction programs.

Following a year of improved performance and investment in its people and products, TISL looks forward to further progress in 1993 and beyond.

International Thomson Publishing (ITP)

The change of name for this group (formerly Thomson Book/Reference Group) recognizes the diminishing importance of traditional methods of information dissemination in the education and reference fields, and reflects the increasing international scope of ITP's publishing operations. Solid sales growth was achieved and profits were substantially ahead of 1991, the sixth consecutive year of growth.

Despite a difficult and rapidly changing marketplace, the growth in sales and profits achieved by our college publishing units substantially exceeded industry averages. A newly-established group sales force and impressive gains on key title revisions helped Wadsworth produce much better results across all its units, Brooks/Cole being particularly noteworthy. South-Western Publishing's college division, along with Boyd & Fraser, also enjoyed a very successful year.

Although school marketplaces worldwide continued to suffer from reduced funding at all levels, our school businesses enjoyed solid growth in sales while maintaining margins above the industry average. The performance of South-Western's new math titles was in line with expectations, and *Computer Visions: An Electronic Instructional Media System for Computer Literacy* has received favourable market reaction since its launch. Delmar's agriculture texts had an outstanding year in Texas. Helped by important gains in foreign language and math linked to the national curriculum, Thomas Nelson (UK) further improved its operating results.

In vocational and technical publishing, Delmar enjoyed outstanding growth in sales with new products exceeding expectations and, despite lower margins, achieved a solid profit performance. Milady introduced several new products and, although competition is increasing, its *Standard Textbook of Cosmetology* continued to be the market leader.

In library and reference publishing, Gale Research withstood the adverse effects of reduced government support to its marketplace, and achieved a modest improvement in operating results. Research Publica-

tions had a successful year, particularly with its patent and electronic products, and both sales and profits were substantially higher. Following a year of reduced profitability, Van Nostrand Reinhold has been restructured.

Several key acquisitions were made during the year including Course Technology, a higher education technology company; the HarperCollins English language teaching list in the UK; and the HarperCollins accounting list in the US.

Investment in new product development is continuing unabated and, given improved market conditions, ITP is well-positioned for strong future growth.

Thomson Professional Publishing (TPP)

On balance, 1992 was a good year for TPP. Strong sales growth overall benefited from the launch of several major new products, and profits were ahead of the previous year.

The US legal companies enjoyed significant growth in both sales and profits while accelerating their new product development activity. In particular, Thomson Electronic Publishing was first to the market in both California and New York with state primary law CD-ROM products.

Lawyers Cooperative Publishing had another good year with further growth in sales and profits as well as the launch of a number of new sets, including *American Law Reports – Fifth Edition*.

With weak market conditions in California, it was a challenging year for Bancroft-Whitney. Nonetheless, following a mid-year restructuring, both sales and profits were above the 1991 level.

Clark Boardman Callaghan performed well, with significant improvements in sales, profits and margins. The field sales organization was strengthened and new product development continued apace in the areas of bankruptcy, environmental law and intellectual property.

In the business, regulatory and compliance area, operating results overall were below expectations, although still above the 1991 level. Research Institute of America, which focuses on the US tax marketplace, had a notable new product success with *OnPoint*, a CD-ROM product which achieved market leadership in its first year. However, print sales were adversely affected by the continuing market migration to the CD-ROM format. Warren Gorham Lamont launched several new products in the human resources field and, although economic conditions remained difficult, out-performed its competitors with these services.

Faced with a depressed economic climate in Canada, Carswell achieved satisfactory sales growth and, despite investment in developing new titles and on-line services, profit was modestly above the previous year.

Our international trademark and copyright research companies – Thomson & Thomson and Compu-Mark – were transferred from TISL during the year and enjoyed satisfactory growth in both sales and profits. Through a refocused approach to its marketplace, Thomson & Thomson achieved a dramatic improvement in customer satisfaction levels.

OnPoint, a CD-ROM tax research product of Research Institute of America, achieved market leadership in its first year.

TPP's US legal publishing companies enjoyed significant growth in both sales and profits while accelerating their new product development activity.

TRN's paid-for newspaper centres achieved substantial growth in both profits and margins. Belfast Telegraph and Sunday Life were two of the year's principal circulation successes.

With aggressive sales, marketing and product development strategies, TPP continues to look to the future with confidence.

Thomson Regional Newspapers (TRN)

Despite the continued adverse impact of the low level of UK economic activity on advertising linage, TRN's paid-for newspaper centres had a good year, exceeding 1991 sales revenues and achieving substantial growth in both profits and margins. In particular, the Edinburgh, Newcastle, Belfast and Teesside centres performed strongly. TRN's free newspapers, however, had a very difficult year and incurred significantly increased operating losses. Action is being taken to address this problem.

Much of TRN's ability to maintain its performance in declining marketplaces is attributable to the creation of new revenue sources through improved marketing and new product development. In particular, revenues from new business-related activities were nearly twice the 1991 level. At the same time, the full benefit of earlier cost reduction programs was felt with publishing costs below their 1991 level despite substantially increased expenditure on marketing.

Although some traditionally important advertising categories, particularly recruitment and property, continued to decline, there were excellent performances in the national and motors categories and advertising market share gains were made in most centres.

While many titles improved their circulations in the first six months over the comparable 1991 period, the deepening recession caused a decline in TRN's total circulation in the second half. Nonetheless, many titles improved their market share and aggregate circulation for the year rose by 1.4%. Among our principal successes were *The Journal*, Newcastle, relaunched during the year and up 7.8%; *Sunday Life*, Northern Ireland, up over 23%; *Belfast Telegraph*, up 2.4%; and *Scotland on Sunday*, up 7.7%.

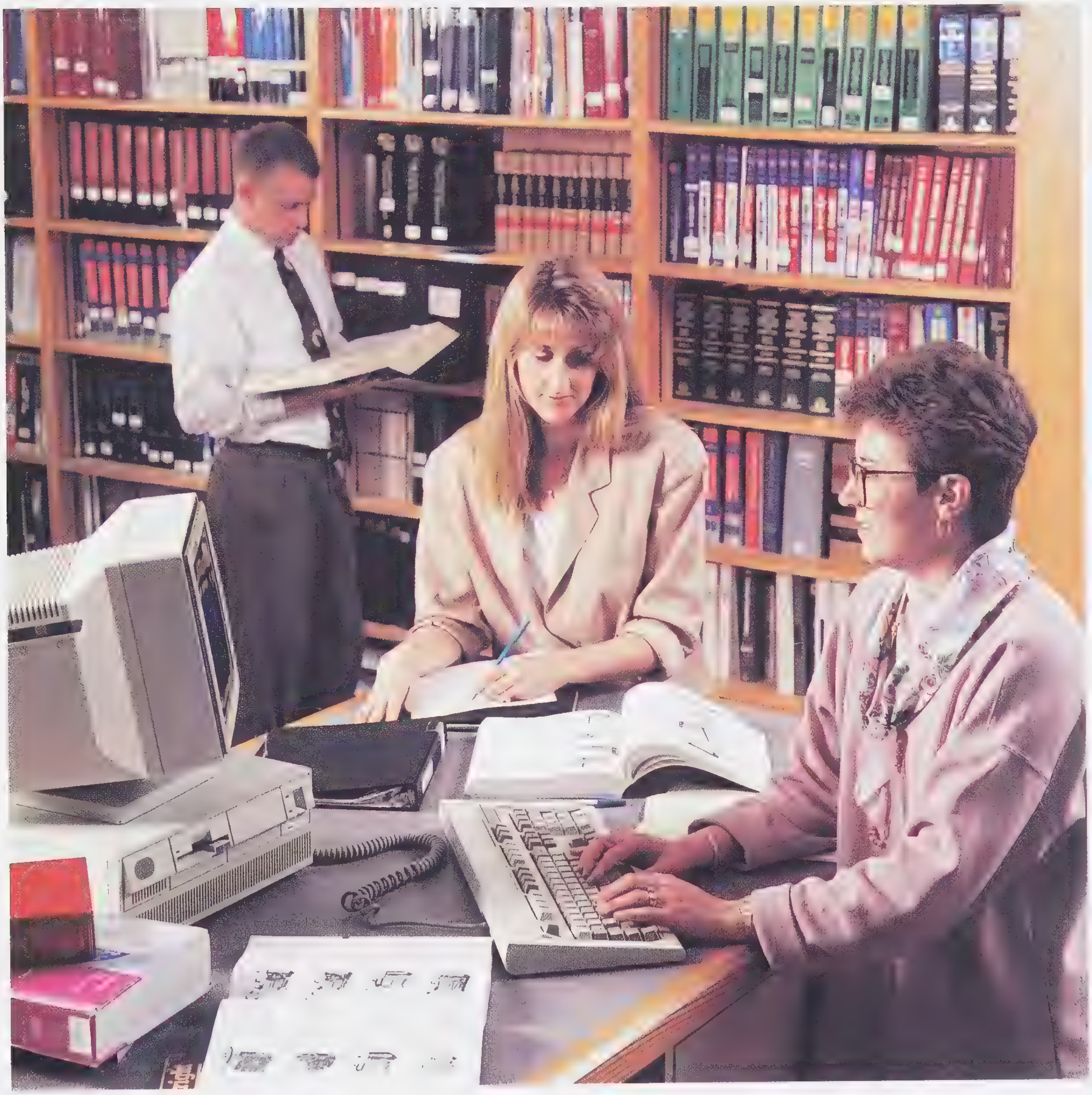
Activity to improve further the content and presentation of our newspapers continued apace and brought a significant number of industry awards. The Thomson Quality Initiative, designed to gain competitive advantage from improved customer service, was launched during the year. In addition, The Thomson On-Line Features Service was established to provide a central resource of high-quality material to support local feature activity and the development of new products.

With the economic outlook in the UK looking only marginally brighter for 1993, emphasis in TRN will continue to be on increasing circulation; on the development of new revenue sources; on improved marketing and customer service; and on continuing tight cost control.

Thomson Business Information (TBI)

TBI achieved substantially higher sales and profits as a result of both the organic growth of its existing businesses and several acquisitions.

A stronger base for providing information to the scientific



community worldwide was established with the acquisition of Institute for Scientific Information (ISI) and the internal transfer of Derwent Publications to TBI. ISI achieved record operating results and strengthened its market position with the acquisition of Research Information Systems, a provider of research and database management information products. While Derwent achieved strong sales growth, particularly from its on-line products, margins declined as a result of investments in technology and infrastructure.

Mitchell International maintained its position as a leading provider of technical information to automotive repairers and collision indemnity companies. With the success of its mechanical repair product *On-Demand,* the development of numerous products serving the collision estimating market and a continuing commitment to management systems development, Mitchell continued to display its ability to devise innovative electronic solutions to customers' needs. However, while electronic products fueled sales growth, profits overall were lower as a result of both new product development spending and very competitive market conditions.

Medical Economics Publishing had an outstanding year. All of its flagship publications – *Medical Economics, Drug Topics* and *Patient Care* – benefited from strong pharmaceutical advertising and achieved record sales, increased market shares and substantially higher profits. In addition, TBI strengthened its position in the Canadian marketplace with the acquisition of *Family Practice* and the launch of two new magazines.

Through its leading customized and proprietary databases, Medical Economics Data (MED) also substantially improved its operating results. *Physicians' Desk Reference* (PDR) experienced significant volume growth, and MED successfully introduced *PDR Drug ID System* and made good progress on developing *PDR Family Guide to Prescription Drugs* to take advantage of the trend towards increasing patient participation in healthcare decisions. In addition, the acquisition of Micromedex provided MED with specialized clinical and toxicology databases, and the successful development of Customized Premium Products increased information sales to the pharmaceutical industry.

With plans for the aggressive development of its information companies, continued new product development and a stronger customer orientation, TBI is well-placed to serve profitably the needs of its rapidly changing marketplaces.

Thomson Financial Services (TFS)

1992 was a year of strong growth and long-term investment in our financial information businesses. Despite the continued weakness of financial advertising markets worldwide, both sales and profits were well ahead of the 1991 level, and margins also improved.

An active US equity market contributed to strong performances by *AutEx, Alert* and *PORTIA* in the trading services area, as well as by products and companies in our database

group, including *Investext*, Securities Data Company and CDA Investment Technologies.

The year was marked by the emergence of ILX Systems as a major force in the market data arena with the signing of workstation agreements with several leading brokerage firms.

Despite the continued consolidation of the banking industry, TFS businesses serving this marketplace – Thomson BankWatch, Sheshunoff Information Services and Thomson Financial Publishing – improved their operating results overall. It was, however, a disappointing year for *American Banker* and restructuring and repositioning were its key priorities. New editorial sections were introduced to reflect the significant changes that are taking place in the banking industry.

Our Technical Data unit signed a strategically important long-term product development and distribution agreement with Telerate. *First Call* renewed expiring agreements with all its equity research partners; added yet more contributors; and recorded a strong financial performance.

Other highlights included the revitalization and increased profitability of the UK-based *International Financing Review*, and the formal introduction of the Thomson Institutional Workstation in the US.

Increasingly, we see TFS as a worldwide business and in 1992 non-US activity accounted for approximately 15% of total sales.

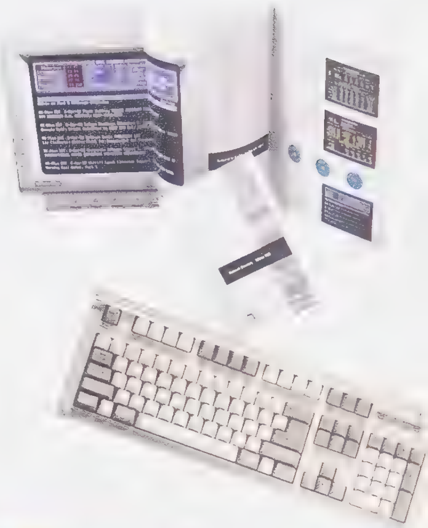
Acquisitions made during the year included McFadden Business Publications, a publisher of directories on depository institutions; ARK Information Systems, a distributor of international research and corporate reports; The Invest/Net Group, a provider of insider holdings data; and certain assets of IDD Enterprises, including *Financial Services Week* and its mergers and financing databases. These acquisitions provide TFS with significant improvements in product positioning and competitive strength.

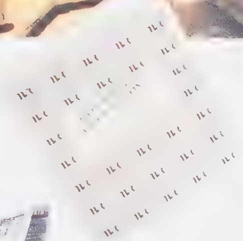
In the years ahead, TFS anticipates further growth, driven by continuing recovery in its marketplaces, the development of new businesses, and increased international expansion.

TIPG Outlook

The steps taken to restructure TIPG's cost base in 1992 and prior years and those currently underway to increase productivity and efficiency still further, will provide substantial leverage should a broadly-based economic recovery take hold. Complementing these cost initiatives are the revenue opportunities generated by TIPG's continued focus on new product development, on increasing market share through total customer satisfaction programs, and on extending the international scope of its operations.

Strong organic growth remains the key to TIPG's success, and efforts to foster an environment in which operating managers identify and pursue viable new business initiatives with enthusiasm will continue to carry a high priority. The critical examination of our activities has resulted in the establishment of a sound base of people and products with the capability and the confidence to produce continued strong performance.





Review of Operations

Thomson Newspapers

We have continued to develop and re-emphasize the objectives established three years ago, namely to improve the quality of our established titles, to develop viable new products, and to implement aggressive marketing programs. However, the continuing severe economic conditions, particularly in Ontario, where we have a substantial number of titles, resulted in a further profit setback. Nevertheless, our margins are still among the best in the industry, and we believe we are in a better position competitively than ever before.

We remain committed to the philosophy that high quality newspapers and customer service are the keys to our long-term well-being. Thus, while the industry was hard-hit by lower advertising linage and declining circulations, we have continued to invest heavily in our people and publications. As a result, we enjoyed a small increase in circulation and, despite a decline in advertising linage for the year of 3.7%, have maintained, on average, our market share and leadership positions.

At 6.8%, the decline in advertising linage was most severe in our Canadian newspapers, reflecting the ongoing impact of the worst recession since the Depression. In the US, where a tentative economic recovery developed late in the year, linage fell by 2.4%. We are making good progress on addressing the fundamental changes that are adversely affecting the newspaper industry, in particular the reduced level of advertising from large department and chain stores.

Classified advertising has become more important to us, and this has necessitated a changed emphasis and an upgrading of our marketing skills. As this evolution continues, we will further refine our newspapers' selling techniques, cost bases and management styles to reflect whatever market circumstances we face.

Many of our larger metropolitan newspapers did not perform as well as their smaller counterparts, and accounted for much of our profit shortfall. Because a turnaround in these newspapers can make a disproportionate contribution to our recovery, we are paying special attention to their management and business development.

Among Canada's largest newspapers, *The Globe and Mail* was the only one to increase advertising linage; new products together with a clearer focus on existing products and customers contributed to a 2.6% increase in linage over 1991. The *Globe's* circulation increased by 0.6% and customer service was substantially improved.

Total circulation of our US newspapers increased by 1.0% and, had it not been for problems encountered with a new press in Winnipeg, circulation in Canada would have shown a small increase. Newspapers that achieved above-average gains in circulation included *The Post-Crescent*, Appleton, and the *West Bend Daily News,* both in Wisconsin; the *Brandon Sun* in Manitoba; the *Penticton Herald* in British Columbia; *The Daily Press,* Timmins, Ontario; and *The Daily Times,* Salisbury, Maryland.

During the year, we accelerated the

GOSS

upgrading of our management and executive development programs, and recruited several outstanding executives from outside the group. Three new senior positions were created and filled: senior vice-president, corporate development; vice-president, product development; and vice-president, information technology. All three will focus on satisfying the changing needs of our marketplaces.

Almost 400 new products were created in 1992. The launch of *Huronia Sunday,* to serve the Ontario markets of Barrie, Orillia, Collingwood and Midland, was a new concept for Thomson Newspapers in Canada, and created a 29,000-circulation newspaper. Sunday editions were successfully launched at Sudbury and Guelph, Ontario; Kelowna, British Columbia; Lethbridge, Alberta; and Sterling, Illinois.

We also launched our first corporate product, a weekly entertainment publication entitled *CoverSTORY.* While its editorial content is centrally produced and formatted, subscribing newspapers insert locally sold advertising, and print and distribute the finished product. Circulation is approaching one million and subscribing newspapers number 42, including two non-Thomson newspapers. Other expanded editorial platforms include health and well-being. *Today's Health Report,* a magazine that approaches health issues from a consumer's perspective, is being developed in conjunction with TIPG's *Medical Economics,* and will operate with a production and distribution system similar to that used for *CoverSTORY.*

Initiatives in advertising included the launch of a single-sheet program that renders highly-targeted, mass advertising affordable to neighbourhood advertisers; and a cooperative advertising program that helps newspapers and retailers take advantage of manufacturer-sponsored advertising. In addition, we started a major program to increase paid-in-advance subscriptions.

We continued to upgrade existing products and to improve customer service. Several internal publications to promote 'best practices' in editorial, typography and advertising are produced periodically and circulated across the group.

Extensive editorial training programs were undertaken during the year, and more than 30 newspapers were completely redesigned. An 18-month project to generate and test

CoverSTORY, a weekly entertainment publication, was launched during the year. Circulation is approaching one milli and subscribing new: papers number 4,

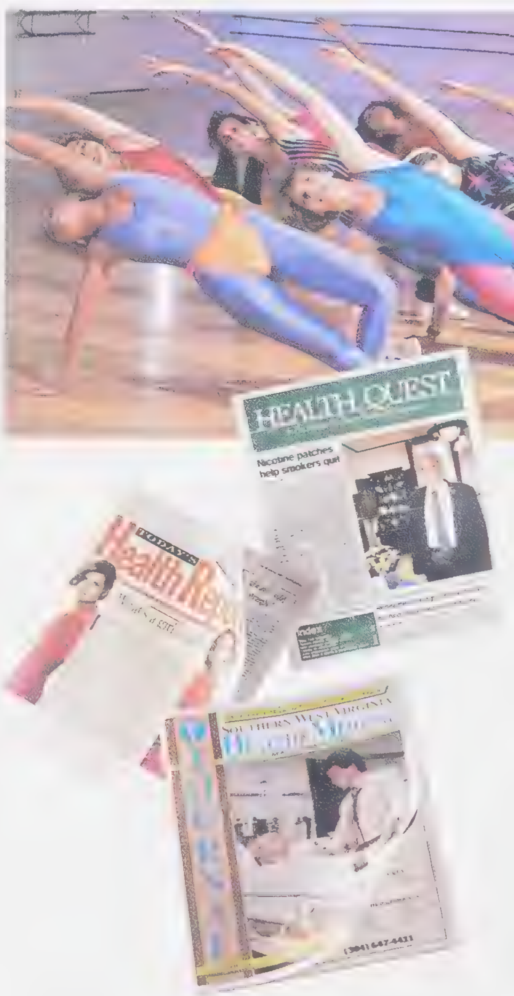
new marketing, editorial and production ideas was concluded at *The Reporter,* Fond du Lac, Wisconsin. The newspaper was redesigned, the news coverage and reproduction enhanced, and customer service improvements made in all departments. A subsequent Society of Newspaper Design report designated this newspaper one of the best-designed small dailies in the US. In addition, one-third of the newspapers displayed in the ideas rooms at the conventions of the American Society of Newspaper Editors and the Associated Press Managing Editors were Thomson newspapers.

Among the honours given to our journalists in 1992 were three National Newspaper Awards to writers from *The Globe and Mail* and one for layout and design to an editor at the *Times-Colonist,* Victoria, British Columbia. A sports writer at the *Peterborough Examiner,* Ontario, received a national award for young journalists, and a reporter at the *Winnipeg Free Press* won the prestigious Michener Fellowship. In addition, in both Canada and the US, numerous awards were won in regional competitions.

Our traditional strengths in cost control were maintained without in any way impairing our investment in the future. Non-productive costs were further reduced and, where appropriate, we divested or down-scaled a number of operations. The community division in the US was merged with daily divisions, reducing corporate overhead and moving responsibility for some non-daily newspapers to our daily newspaper publishers nearby. In 1992, daily newspapers were closed in Newburgh, New York, and Chardon, Ohio. Operations were merged in Dothan and Enterprise, Alabama, and in Ashtabula and Conneaut, Ohio; and the Connecticut Post absorbed the circulation of the daily newspaper in Ansonia. Daily newspapers in Albert Lea, Austin and Fergus Falls, all in Minnesota, and a weekly in Texas, were sold. After the year-end, a daily in Greenville, Pennsylvania, and two non-dailies in Texas were also sold.

In Canada, the community division was also merged with daily divisions.

Expanded editorial platforms include health and well-being



One non-daily newspaper ceased publishing, and three were sold. In addition, we have identified for disposal a limited number of other newspapers in both Canada and the US that, in the context of our plans for the future, are either too small or do not have the potential to contribute materially to our profits, and often absorb a disproportionate amount of management effort.

The new printing and distribution facility in Butler County, Ohio, housing printing operations for two neighbouring dailies at Hamilton and Middletown and several non-daily newspapers, became operational. Work continued on the new building in Altoona, Pennsylvania, and installation of the press began in November; start-up is scheduled for the second quarter of 1993. All major projects were reappraised during the year, and a number were either cancelled or delayed. The postponed projects will be undertaken during the next two or three years.

We are optimistic that we will complete the revitalization of our newspapers in the near future, and that we are well-positioned to increase our market share. With our efficient cost structure, we believe we will achieve stronger operating results in 1993, even with only a limited economic recovery.

Review of Operations

Thomson Travel Group

Overall, 1992 was a good year for Thomson Travel Group (TTG). Both quality and profits were higher than last year's record levels. In addition, further substantial progress was made in developing our Lunn Poly retail chain and in Britannia Airways' aircraft replacement program, and both companies improved their operating results. In tour operating, however, industry-wide discounting of brochure prices resulted in reduced profitability.

Thomson Tour Operations (TTO)

Following the excellent financial results achieved in 1991, in part due to the collapse of a major competitor, several competitors substantially increased their capacity and, especially in the May to July period, this led to over-supply and widespread price discounting.

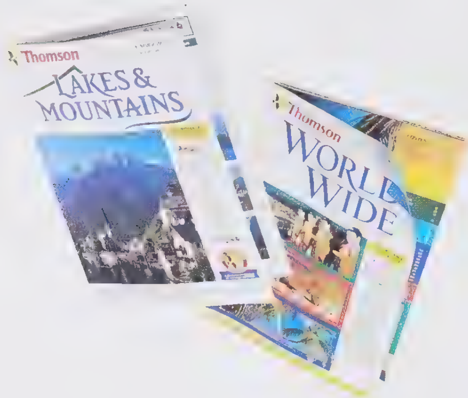
This extra capacity at very low prices attracted marginal purchasers of holidays, with the result that the UK air inclusive tour market grew by approximately 15%. Even after allowing for some recovery from the 1991 summer market, which was adversely affected by the Gulf war, this growth was exceptional during a period of economic recession.

TTO sold 3.3 million holidays in 1992, a 10% increase over the previous year. There was some loss of market share, which fell to an estimated 30.5% of the total sold through travel agents.

TTO continued to devote significant resources to monitoring and improving the quality of its holidays. A realistic target is that 99% of customers should be satisfied with their holidays, and we are now close to this objective.

After the year-end, TTO announced a reorganization of its overseas and marketing divisions to streamline operations and realize the benefits of the introduction of new technology. The new structure is more clearly focused on customers' needs and will meet our requirement to have the lowest cost base in the industry.

Market conditions for summer 1993 remain as competitive as those experienced last year. Nonetheless, while early sales of TTO's summer



1993 holidays were below expectations, its programs have been selling strongly since the start of the year, backed by a substantial advertising budget.

Britannia Airways

Britannia Airways made good progress during the year with improvements in volume, profits and quality

levels. While significant over-capacity in the market depressed seat rates, staff productivity reached record levels. Passenger carryings increased from 6.4 million to 6.9 million, and aircraft utilization improved for the second successive year.

1992 saw the launch of Royal Service, a package of enhancements aimed at improving the in-flight experience of passengers. In addition to changes to the presentation of the aircraft interior, cabin crew uniforms, in-flight meals and video programing, all cabin crews underwent extensive retraining. The results have been excellent, with quality scores from holidaymakers' questionnaires improving throughout the summer season.

Further progress was made in implementing new operating systems. Significant parts of the CORE System, designed to improve planning and operational functions, are now in use; and the first parts of the Flight Contribution Accounting System, which will give much greater control over direct operating costs, have been implemented. Safety and security remain of paramount importance, and a flight data recorder monitoring system has also been implemented to enable data to be downloaded directly from aircraft systems for analysis.

In spring 1992, we took delivery of three Boeing 757-200s, all to our own specification, and these are proving very reliable and giving excellent levels of service. During the summer 1992 season, Britannia operated 38 aircraft: 10 Boeing 767-200s, five Boeing 757-200s and 23 Boeing 737s, representing a seat capacity increase of 6.0% over summer 1991. We sold

five Boeing 737-300s, which will leave the fleet by spring 1993, and have contracted to add a further five Boeing 757-200s on operating leases, also from spring 1993. These are in addition to three previously ordered Boeing 757-200s which joined the fleet in the first quarter of 1993.

After the year-end, Britannia announced the replacement of all its remaining Boeing 737s with new Boeing 757-200s by May 1994. Contracts have been signed for both the new aircraft and for the sale of the existing aircraft. On completion, Britannia will have an all Boeing 757/767 fleet which, with commonality in the utilization of crews, engineers and aircraft spares, will be one of the most cost efficient in the world.

Lunn Poly

Following the major expansion of recent years, Lunn Poly substantially increased its profitability in 1992 and became a major profit contributor to TTG.

A further 68 holiday shops were opened, bringing the total at the 1992 year-end to 578. As a result of the extra sales generated by new shops as well as improved sales from established shops, Lunn Poly increased its share of the summer 1992 market to 22%. Over 1.6 million summer holidays were sold in 1992, a 29% increase on the previous year, and Lunn Poly is now more than twice the size of the next largest retail holiday chain. The levels of customer discounts and marketing expenditure were increased to generate this above-market sales growth and, as a result, we were able to negotiate higher levels of commission from suppliers.

Head office costs as a percentage of sales fell for the second successive year. In addition, tight cost control and increased flexibility are being achieved by employing additional part-time staff in our holiday shops to cater for the peak sales periods.

During 1992, we successfully negotiated the renewal of our use of the Istel data network system and

implemented HOLI, our own viewdata system. Our shops derive significant benefit from HOLI by gaining access to up-to-date information on our leisure scheduled airfares product marketed under the *Jetaway* brand. Development continues on a prototype sales support and administration system, based on shop computers and the Istel network, to capture more data electronically within our shops and to transfer this automatically to our headquarters' system.

An additional 300 new jobs were created during the year, offering many opportunities for personnel development and promotion. A major research program is underway to identify more precisely what customers require from a retail holiday shop, and the results will be used in our extensive training programs to ensure we have the best trained and informed staff.

A substantial number of new shop openings is planned for 1993. This is an excellent time to be expanding the chain as shop rentals are attractive and many opportunities are available in good locations as a result of the adverse impact of the recession on retailing.

TTG Outlook

TTO expects to sell a similar number of holidays in 1993 as in 1992, in a market which is likely to remain broadly unchanged. Lunn Poly will continue to expand, and the early indications for summer 1993 are that its market share will increase further. Britannia's seat capacity is substantially committed for the summer season.

In recent months, there have been developments relating to the ownership structure of the industry. The Thomas Cook Group was acquired jointly by the German travel group LTU and Westdeutsche Landesbank, and Airtours Plc acquired the Pickfords retail travel chain. In addition, Airtours Plc launched a hostile bid for Owners Abroad Group Plc which, had it been successful, would have created an integrated travel group of a similar size to TTG. Our policy remains the same: to be the market leader in each of the sectors in which we operate whether measured by size, quality or profitability. We will not allow our competitive position to be eroded and we will always take the long-term view.

Management's Discussion and Analysis

(unless otherwise stated, all figures are in millions of US dollars)

The principal activities of The Thomson Corporation (TTC) are specialized information and publishing, newspaper publishing, and leisure travel. TTC operates principally in the United States, the United Kingdom and Canada.

Results of operations

Sales increased in 1992 by 7.0% to $5,980 million. North American sales increased by 8.4% to $2,821 million and accounted for 47% of the total. Sales from outside North America, principally the UK, increased by 5.8% to $3,159 million and accounted for 53% of the total.

Depreciation increased by 13.6% or $28 million to $234 million as a result of recent heavy capital expenditure programs across TTC.

Operating profit before amortization, and impairment of circulation and goodwill, referred to in this discussion and analysis as operating profit, which is arrived at after deducting depreciation but before deducting corporate costs, at $714 million, was $22 million or 3.2% higher than in 1991. A reduction of $30 million in operating profit from Thomson Newspapers (TN) was more than offset by improvements of $38 million or 10.5% in Thomson Information/Publishing Group (TIPG) and $14 million or 13.9% in Thomson Travel Group (TTG).

North American operating profit increased by 2.9% to $499 million, and accounted for 69.9% of the total. Operating profit from outside North America increased by 3.9% to $215 million.

Amortization of publishing rights, circulation and goodwill of $117 million was $5 million or 4.5% higher than in 1991, principally due to acquisitions made in 1992.

Following a comprehensive review of TTC's newspaper operations in both North America and the UK, we have recorded an exceptional charge, which has no cash flow impact, of $170 million ($0.30 per common share) against our 1992 earnings for the impairment of circulation and goodwill.

Net interest expense and other financing costs of $145 million were $10 million lower than in 1991, as lower interest rates more than offset the additional costs of financing a higher average level of net debt.

Income taxes as a percentage of pre-tax earnings were 22.9% (1991 – 16.4%) which differs from the Canadian corporate tax rate due principally to the effect of lower tax rates in other countries.

Dividends declared on preference shares at $16 million in 1992 were $12 million lower as a result of the retraction of Series I preference shares in late 1991.

Earnings attributable to common shares decreased by $126 million in 1992 to $166 million, and earnings per common share were $0.30, compared with $0.53 in 1991. But for the exceptional charge for the impairment of circulation and goodwill, earnings and earnings per common share would have been $336 million and $0.60 per common share, representing increases over 1991 of 15.1% and 13.2% respectively.

Operating cash flow (operating profit after adding back depreciation) was $948 million (1991 – $898 million) before capital expenditures of $288 million (1991 – $467 million).

Cash flow per common share, based on cash provided by operations (before working capital changes) less dividends paid on preference shares, was $1.32 for the year, compared with $1.19 in 1991. This increase was principally due to an improvement in TIPG's and TTG's cash generation.

Dividends declared payable on common shares in 1992 increased by 1.2% to $254

million. Of the 1992 dividends, $96 million (1991 – $91 million) was reinvested in common shares through the dividend reinvestment plan and by way of associated private placements of common shares, resulting in net cash dividend payments of $158 million (1991 – $160 million).

Thomson Information/Publishing Group

In 1992, sales of TIPG increased by 10.9% to $2,651 million and operating profit increased by 10.5% to $401 million. Operating margins were 15.1%, compared with 15.2% in 1991. Acquisitions accounted for $83 million of the $261 million increase in sales between 1991 and 1992, and $13 million of the $38 million increase in operating profit.

TIPG's North American sales increased by 17.0% to $1,696 million, and operating profit by 17.1% to $301 million, and these increases were attributable to strong organic growth in several divisions and to acquisitions. Sales outside North America, principally the UK, increased by 1.5% to $955 million, but operating profit declined by 5.7% to $100 million. This decline was principally due to very difficult trading conditions in the UK, especially for newspapers and other advertising-based publications, and to certain exceptional charges.

Operating cash flow was $513 million (1991 – $464 million) before capital expenditures of $129 million (1991 – $110 million).

The following table gives sales and operating profit for TIPG's six business groups:

	Sales		Operating profit*	
	1992	1991	**1992**	1991
TISL	**398**	385	**30**	35
ITP	**509**	465	**97**	84
TPP	**606**	532	**94**	90
TRN	**387**	402	**41**	42
TBI	**414**	312	**83**	66
TFS	**337**	294	**56**	46
	2,651	2,390	**401**	363

*Before amortization of $81 million (1991 – $77 million) and impairment of $60 million (1991 – nil)

Thomson Information Services Ltd's (TISL) sales increased by 3.4% in 1992. Advertising sales, which accounted for 30.4% of TISL's total sales in 1992, increased by 0.9%; and other sales, principally information services, increased by 4.5%. After the year-end, TISL sold its loss-making UK business magazines, thus reducing the share of advertising revenues in its total sales. Relatively low levels of activity in the various European construction industries and the UK and Australian automotive industries, to which TISL provides information services, are likely to persist until these economies recover. In addition, there is no immediate prospect of a recovery in the amount of advertising available to TISL's defence publications. TISL's subscription-based and other specialized publications and information services, however, should enjoy good prospects based on substantial recent investment in product improvement and in new products.

The declines in TISL's operating profit and operating margins in 1992 were attributable to exceptional expenses, principally an accelerated write-off of development expenditure in Australia. But for these expenses, TISL's operating profit would have been well ahead of the 1991 level.

International Thomson Publishing (ITP), formerly Thomson Book/Reference

Group, achieved a 9.5% increase in sales in 1992. As a result of tight cost control and the benefits of acquisitions, operating margins improved, and operating profit at $97 million was 15.5% above the 1991 level.

While downward pressures on school and college spending and on library budgets are unlikely to ease in the near future, ITP demonstrated in 1992 that it has the capability to exceed the industry's average performance. With investment in new product development continuing unabated, ITP believes it is well-placed for strong future growth.

Thomson Professional Publishing's (TPP) sales in 1992 grew by 13.9%, benefiting from the launch of several major new products, as well as from acquisitions completed in 1991. Operating profit increased by 4.4%. Although the decline in margins from 16.9% to 15.5% was attributable to the heavy cost of developing new products, these are expected to yield benefits in 1993 and future years.

Generally, TPP is engaged in sectors with good growth prospects. While the development of CD-ROM technology is a threat to some traditional forms of publishing in the legal and tax areas, as well as in other areas of publishing undertaken by TIPG, it also offers many opportunities. In 1992, TPP successfully launched several CD-ROM products. Specialists in this field have been recruited, and their expertise is being applied throughout TPP companies as well as across TIPG as a whole through the holding of 'best practice' seminars.

Thomson Regional Newspapers' (TRN) advertising linage continued to be adversely affected by the low level of UK economic activity. Although TRN's paid-for newspaper centres had a good year, exceeding 1991 sales revenues and achieving substantial growth in both profits and margins, its free newspapers, being entirely dependent on advertising revenues, had a very difficult year and incurred significantly increased operating losses. Action is being taken to address this problem. Total sales in 1992 declined by 3.7% to $387 million. Circulation sales revenue increased by 4.7% to $111 million, and advertising sales declined by 6.8% to $276 million. As a result of the benefits of earlier cost reduction programs, margins improved and operating profit overall, at $41 million, was only marginally lower than the 1991 level.

Much of TRN's ability to maintain its performance in declining marketplaces is attributable to the creation of new revenue sources through improved marketing and new product development, as well as the gaining of advertising market share. However, any substantial recovery in TRN's margins and profitability will require a higher level of UK economic activity.

Thomson Business Information's (TBI) sales in 1992 increased by 32.7% to $414 million, and operating profit by 25.8% to $83 million. These increases resulted from a substantially improved performance by healthcare publishing and information services, benefiting from buoyant pharmaceutical advertising, which more than offset lower profits from providing services to automotive repairers and collision indemnity companies, as well as from a major contribution from acquisitions completed in 1992 which are exceeding expectations. While competition to provide services to the automotive industry remains intense, the level of activity in this sector might be expected to recover as the US economy improves.

Thomson Financial Services' (TFS) sales in 1992 increased by 14.6% to $337 million and operating profit increased by 21.7% to $56 million. These substantial growth rates, and the improvement in margins in 1992 to 16.6% from 15.6% in 1991, resulted from the continuing development and launch of innovative new products; from market leadership in the provision of a number of services; as well as from a more cost effective structure. While consolidations in the banking industry may continue adversely to

affect advertising from this source, financial advertising generally might be expected to recover as the US economy improves.

TIPG has over 130 separate operating units providing approximately 50,000 individual products, in a wide variety of formats, to a large number of specialized marketplaces. While many of these marketplaces are relatively insulated from the immediate influence of the level of economic activity, the depth of the recession has affected all TIPG's customers to some degree. However, the broad spread of TIPG's activities does provide a measure of protection against a severe decline in any one area damaging the profitability of the business as a whole.

Approximately 20% of TIPG's total revenue in 1992 was from advertising, concentrated mainly in business magazines in the US, and regional newspapers and local directories in the UK. During 1992, TIPG's advertising revenues increased only marginally as a result of the recession in both the US and UK economies, but are expected to recover when economic growth resumes. Strategically, TIPG wishes progressively to reduce advertising as a proportion of its total sales.

Thomson Newspapers

In 1992, sales of TN declined by 1.5% to $1,125 million. Circulation sales revenue increased by 6.0% to $296 million and advertising sales increased marginally to $786 million. Operating profit decreased by 13.2% to $198 million.

The following table gives geographic segments for TN's sales and operating profit:

	Sales		Operating profit*	
	1992	1991	**1992**	1991
Canada	**424**	453	**60**	82
US	**701**	689	**138**	146
	1,125	1,142	**198**	228

*Before amortization of $33 million (1991 – $32 million) and impairment of $110 million (1991 – nil)

The further decline in operating margins from 20.0% in 1991 to 17.6% in 1992 was largely attributable to the adverse impact on advertising revenues of the recession in both the US and Canada and to higher spending on product improvements and new products as well as increased marketing expenses, partly offset by decreased newsprint costs. However, TN's margins are still among the best in the industry, and we believe we are in a better position competitively than ever before. The differing performance between the US and Canada is largely accounted for by the timing of the economic recession, which continued throughout the whole of 1992 in Canada, whereas in the US there was a tentative recovery in the second half of the year.

Operating cash flow was $249 million (1991 – $270 million) before capital expenditures of $90 million (1991 – $129 million). All major projects were reappraised during the year, and a number were either cancelled or delayed. The postponed projects will be undertaken during the next two or three years.

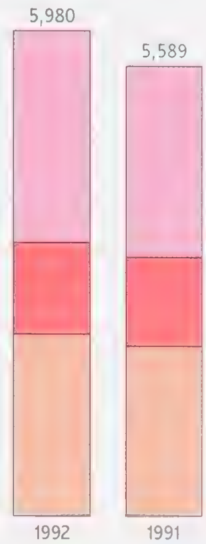
As a result of continuing investment in product enhancement, new product development and marketing, total circulation of TN's US newspapers increased by 1.0% and, had it not been for problems encountered with a new press in Winnipeg, circulation in Canada would have shown a small increase. *The Globe and Mail's* circulation increased by 0.6%. Circulation in the industry as a whole declined. We believe our investment will yield increasing benefits when a broadly-based economic recovery emerges.

Although TN maintained, on average, its market share and leadership positions,

SALES BY BUSINESS SEGMENT

	1992	1991
THOMSON INFORMATION/ PUBLISHING	**44%**	43%
THOMSON NEWSPAPERS	**19%**	20%
THOMSON TRAVEL	**37%**	37%

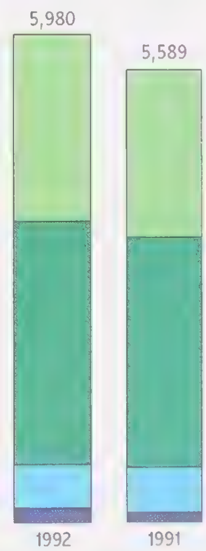
(millions of US dollars)



SALES BY GEOGRAPHIC SEGMENT

	1992	1991
UNITED STATES	**38%**	37%
UNITED KINGDOM	**50%**	51%
CANADA	**9%**	10%
OTHER COUNTRIES	**3%**	2%

(millions of US dollars)



as a result of the recession its total advertising linage in 1992 declined by 3.7%. The decline was 2.4% in the US and 6.8% in Canada, where newspapers in the Ontario region were the most severely affected. However, among Canada's largest newspapers, *The Globe and Mail* was the only one to increase linage, achieving a 2.6% increase.

TN is making good progress on addressing the fundamental changes that are adversely affecting the newspaper industry, in particular the reduced level of advertising from large department and chain stores. As this evolution continues, we will further refine our newspapers' selling techniques, cost bases and management styles to reflect whatever market circumstances we face. In addition, new editorial platforms are being created to generate additional reader interest and advertising revenues.

Many of TN's larger metropolitan newspapers did not perform as well as their smaller counterparts in 1992, and accounted for much of our profit shortfall. This was principally due to their greater dependence on large department and chain store advertising and, as a result, a longer period of adjustment to these changing market circumstances. Because a turnaround in these newspapers can make a disproportionate contribution to TN's recovery, special attention is being paid to their management and business development.

TN closed or sold 10 newspapers in 1992, and merged several others. In addition, we have identified for disposal a limited number of other titles in both Canada and the US which, in the context of our plans for the future, are either too small or do not have the potential to contribute materially to our profits, and often absorb a disproportionate amount of management effort. These further potential disposals account for less than 5% of TN's sales.

TN's titles are published in markets geographically dispersed throughout North America which typically support only a single daily newspaper. The diversity of locations served diffuses the impact on the group of economic cycles in specific industries. In addition, each newspaper is able to respond directly to changing economic circumstances in its particular marketplace.

Approximately 70% of TN's total revenue is derived from advertising. There is a close correlation between the amount of advertising revenue and the overall level of economic activity. Many independent economic forecasts for both Canada and the US anticipate a higher level of economic activity in 1993 as a whole compared with 1992. However, there is a wide divergence of opinion as to both the timing and extent of any such recovery.

While there is increasing competition among alternative advertising vehicles for the time and attention of readers, newspapers as a medium have important and unique characteristics which both readers and advertisers need and value. We believe that concentrating on better quality, more creative and dynamic products, vigorously marketed, will lead to superior real growth. Although TN is part of a relatively mature industry, we see attractive opportunities arising from greater editorial creativity; increased use of colour; modern, highly efficient production facilities; and, above all, from becoming more marketing oriented at every level.

Thomson Travel Group

TTG's sales in 1992 increased by 7.1% to $2,204 million. As a result of overcapacity and very competitive trading conditions, the average price of holidays was lower than in 1991, and the increase in sales was due to a higher volume of activity.

Operating profit, including aircraft disposal profits of $12 million (1991 – $5 million), increased by 13.9% in 1992 to $115 million. Profit including net interest income, largely arising from advance payments by customers, was $141 million, 11% above the

1991 level. Net interest income of $26 million in 1992 was unchanged from the previous year, an increase in the volume of interest-bearing balances being offset by the impact of lower interest rates. The operating profit margin (excluding aircraft disposal profits but including interest) was unchanged in 1992 at 5.9%.

Operating cash flow was $186 million (1991 – $164 million) before capital expenditures of $69 million (1991 – $228 million) which included $31 million (1991 – $191 million) for aircraft and spares net of proceeds from disposals. Proceeds from disposals were $66 million in 1992, compared with $7 million in 1991.

The following table gives TTG's sales and operating profit, including net interest income, by principal activity:

	Sales		Operating profit* (including net interest income)	
	1992	1991	**1992**	1991
Tour operating	**1,808**	1,687	**38**	66
Airline operations	**926**	825	**69**	56
Travel retailing	**164**	124	**42**	11
Other	**9**	9	**(8)**	(6)
	2,907	2,645	**141**	127
Intra group	**(703)**	(588)	—	—
	2,204	2,057	**141**	127

*Before amortization of $3 million (1991 – $3 million)

Following the excellent financial results achieved in 1991, in part due to the collapse of a major competitor, Thomson Tour Operations' (TTO) main competitors increased their summer 1992 capacities well in excess of normal market demand, with the result that there was substantial over-capacity in the market. This inevitably led to brochure price discounting for all tour operators, which was particularly fierce in the May to July period. As a result, profits fell from the record level of $66 million in 1991 to $38 million in 1992.

TTO sold 3.3 million holidays in 1992, a 10% increase over the previous year. There was some loss of market share, which fell to an estimated 30.5% of the total sold through travel agents.

In January 1993, TTO announced a reorganization of its overseas and marketing divisions to streamline operations and to put greater emphasis on satisfying holiday-makers' needs in the 1990s. These reorganization costs have been fully provided for in 1992.

Market conditions for summer 1993 remain as competitive as those experienced in 1992. Nonetheless, TTO's summer 1993 holiday programs have been selling strongly since the start of the year, backed by a substantial advertising budget, and TTO expects to sell a similar number of holidays to last year in a market which is likely to remain broadly unchanged. It is too early in the summer season to know whether brochure price discounting will be necessary to achieve the planned level of sales.

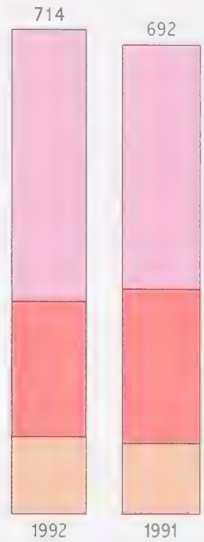
Britannia Airways' profit including interest but excluding aircraft disposal profits, at $57 million, was 11.8% higher than the previous year, principally as a result of a 7.8% increase in the number of passengers carried and higher aircraft utilization. Aircraft disposal profits increased from $5 million in 1991 to $12 million in 1992.

Britannia is engaged in a major aircraft replacement program. During 1992, the airline took delivery of three Boeing 757-200s; five Boeing 737-300s were sold and will leave the fleet by spring 1993. A further five Boeing 757-200s, on operating leases, will join the fleet, also from spring 1993. These are in addition to three Boeing 757-200s

OPERATING PROFIT* BY BUSINESS SEGMENT

	1992	1991
THOMSON INFORMATION/ PUBLISHING	**56%**	52%
THOMSON NEWSPAPERS	**28%**	33%
THOMSON TRAVEL	**16%**	15%

(millions of US dollars)

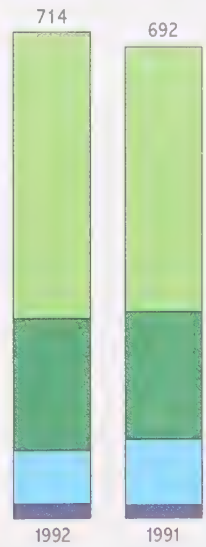


*Before amortization and impairment of circulation and goodwill.

OPERATING PROFIT* BY GEOGRAPHIC SEGMENT

	1992	1991
UNITED STATES	**59%**	56%
UNITED KINGDOM	**27%**	27%
CANADA	**11%**	14%
OTHER COUNTRIES	**3%**	3%

(millions of US dollars)



*Before amortization and impairment of circulation and goodwill.

which joined the fleet in the first quarter of 1993.

After the year-end, Britannia announced the replacement of all its remaining Boeing 737s with new Boeing 757-200s by May 1994. On completion of this program, Britannia will have an all Boeing 757/767 fleet which, with commonality in the utilization of crews, engineers and aircraft spares, will be one of the most cost efficient in the world.

Britannia's seat capacity is substantially committed for the summer 1993 season.

Lunn Poly's operating profit including interest increased from $11 million in 1991 to $42 million in 1992. Part of this increase resulted from the favourable settlement of outstanding disputes in respect of the bankruptcy of the International Leisure Group in early 1991.

A further 68 holiday shops were opened during 1992, bringing the total to 578 at the end of the year, and Lunn Poly increased its share of the summer 1992 market to 22%. The levels of customer discounts and marketing expenditure were increased to generate this above-market sales growth and, as a result, Lunn Poly was able to negotiate higher levels of commission from suppliers.

A substantial number of new shop openings are planned for 1993. This is an excellent time to be expanding the chain as shop rentals are attractive and many opportunities are available in good locations as a result of the adverse impact of the recession on retailing. Early indications for summer 1993 are that Lunn Poly's market share will increase further.

Sales of UK overseas inclusive tours are influenced by many factors including the level of disposable income available to potential clients, the level of the pound sterling relative to the currencies of principal destination countries, and pricing. Extra capacity at very low prices attracted marginal purchasers of holidays in summer 1992, with the result that the UK air inclusive tour market grew by approximately 15%. Even after allowing for some recovery from the 1991 summer market, which was adversely affected by the Gulf war, this growth was exceptional during a period of economic recession.

In recent months, there have been developments in the ownership structure of the industry. Our policy remains the same: to be the market leader in each of the sectors in which we operate whether measured by size, quality or profitability.

Financial position and cash flow

TTC's total assets at December 31, 1992 were $7,907 million, compared with $8,166 million a year earlier, a net decrease of $259 million. The major components of the net decrease were: a translation adjustment of $317 million, arising on foreign currency capital assets, principally those denominated in pounds sterling and Canadian dollars, as these currencies weakened considerably against the US dollar; net additions of $316 million to property and equipment and aircraft and spares, less depreciation of $234 million; additions of $375 million to publishing rights, circulation and goodwill resulting from acquisitions, less amortization and impairment charges of $287 million; a net reduction in current assets of $85 million; and other net decreases of $27 million.

Short-term indebtedness, long-term debt and finance leases ('total debt') aggregated $3,053 million at the end of 1992, compared with $2,963 million at the end of 1991. The net increase of $90 million was principally due to the financing of acquisitions, net of a translation adjustment arising on the pounds sterling denominated finance leases.

During the year, TTC reorganized its total debt with the aim of both extending and flattening the debt maturity profile and reducing the amount drawn under facilities provided by TTC's relationship banks. This restructuring involved a Cdn $250 million 10 year debenture issue, which was swapped into US dollars, and two seven year US

private placements which raised $175 million. The proceeds were used to repay drawn bank facilities. The average maturity of TTC's bank facilities was also extended.

At December 31, 1992, the amount of undrawn bank facilities, which mature in the period 1996-1999, amounted to approximately $850 million. In addition, TTC has a Canadian commercial paper program of Cdn $500 million which was unutilized at December 31, 1992. Along with cash generated by TTC, some of these facilities have been earmarked to repay debt of approximately $800 million, which matures in the next two years.

Hedging arrangements are entered into through the forward currency exchange and swap markets to minimize exposure to currency and interest rate fluctuations.

At December 31, 1992, 85% of TTC's total debt was effectively denominated in US dollars, compared with 84% at the end of 1991, and 63% of total debt was at fixed rates, compared with 62% at the end of 1991. Based on total debt outstanding at December 31, 1992, a 1% change in interest rates would increase or decrease interest expense by approximately $11 million in a full year.

At the end of 1992, capital employed was financed 54% (1991 – 51%) by non-current debt and other liabilities, and 46% (1991 – 49%) by shareholders' equity.

Net capital expenditures totalled $288 million and were funded out of cash from operations. At the end of 1992, commitments for capital expenditures totalled $86 million, of which $74 million was for three Boeing 757s, net of progress payments already made, which were delivered in the first quarter of 1993.

During 1992, spending on acquisitions totalled $336 million, wholly in TIPG, of which $313 million was in the US.

Because of its strong cash generating characteristics, TTC does not need to raise funds for working capital or general operational needs. Funds are raised as required to support its acquisition and development programs. As the timing and size of these cannot be predicted, the timing of TTC's access to the capital markets and the arranging of additional borrowings cannot be determined with any certainty.

In the ordinary course of its business, TTC regularly guarantees certain obligations of its subsidiaries. Such guarantees generally provide that TTC will maintain a minimum amount of share capital and retained earnings and that TTC's debt:equity ratio will not exceed 2:1.

Other information

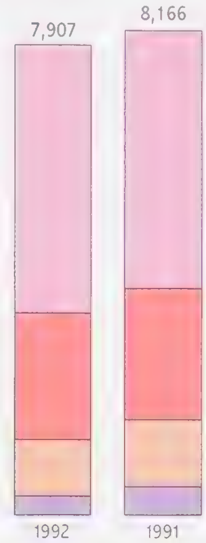
The Capital Assets accounting standard, requiring amortization of publishing rights and circulation, adopted prospectively by TTC in 1991, had the effect of reducing earnings attributable to common shares by $73 million ($0.13 per common share) in 1992 and $67 million ($0.12 per common share) in 1991.

Amortization is purely an accounting concept which has no effect on TTC's cash flow nor on its underlying value and we remain fundamentally opposed to the application of this standard in respect of publishing rights and circulation. TTC believes that such assets should not be subject to periodic amortization but should be written down only where a permanent diminution in value has occurred.

ASSETS BY BUSINESS SEGMENT

	1992	1991
THOMSON INFORMATION/ PUBLISHING	**56%**	53%
THOMSON NEWSPAPERS	**27%**	27%
THOMSON TRAVEL	**12%**	14%
CORPORATE CASH AND OTHER	**5%**	6%

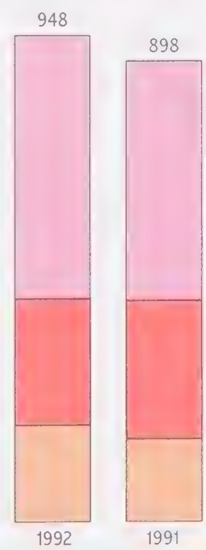
(millions of US dollars)



OPERATING CASH FLOW BY BUSINESS SEGMENT

	1992	1991
THOMSON INFORMATION/ PUBLISHING	**54%**	52%
THOMSON NEWSPAPERS	**26%**	30%
THOMSON TRAVEL	**20%**	18%

(millions of US dollars)



Five year summary

(millions of US dollars except per common share amounts)

	1992	1991	1990	1989	1988
Sales					
Thomson Information/Publishing (1)	**2,651**	2,390	2,315	1,993	1,698
Thomson Newspapers	**1,125**	1,142	1,158	1,081	981
Thomson Travel	**2,204**	2,057	1,891	2,038	2,047
	5,980	5,589	5,364	5,112	4,726
Operating profit before amortization and impairment					
Thomson Information/Publishing (1)	**401**	363	372	325	265
Thomson Newspapers	**198**	228	282	317	306
Thomson Travel	**115**	101	72	—	60
	714	692	726	642	631
Operating cash flow (2)					
Thomson Information/Publishing (1)	**513**	464	461	396	323
Thomson Newspapers	**249**	270	317	346	332
Thomson Travel	**186**	164	127	53	109
	948	898	905	795	764

Earnings attributable to common shares	**166**	292	385	420	380
Earnings per common share	**$0.30**	$0.53	$0.70	$0.78	$0.70

Supplemental information (3):					
Earnings attributable to common shares excluding amortization of publishing rights and circulation and impairment of circulation and goodwill	**409**	359	385	420	380
Earnings per common share excluding amortization of publishing rights and circulation and impairment of circulation and goodwill	**$0.73**	$0.65	$0.70	$0.78	$0.70

(1) Thomson Information/Publishing includes the operations of Thomson Regional Newspapers.

(2) Operating cash flow is operating profit plus depreciation, amortization and impairment.

(3) For comparability with prior years, supplemental earnings and earnings per share information is shown after adjusting for:

(a) amortization of publishing rights and circulation of $73 million ($0.13 per common share) in 1992 and $67 million ($0.12 per common share) in 1991. The accounting standard requiring the amortization of publishing rights and circulation was adopted prospectively in 1991. Prior years were not restated.

(b) the exceptional charge for the impairment of circulation and goodwill of $170 million ($0.30 per common share) in 1992.

Auditors' report

To the shareholders of The Thomson Corporation

We have audited the accompanying consolidated balance sheets of The Thomson Corporation as at December 31, 1992 and 1991 and the consolidated statements of earnings and retained earnings and of changes in cash position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and 1991 and the results of its operations and the changes in its cash position for the years then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Toronto, Canada

March 17, 1993

Consolidated statement of earnings and retained earnings

(millions of US dollars except per common share amounts)

	Year ended December 31	
	1992	1991
Sales	5,980	5,589
Cost of sales, selling, marketing, general and administrative expenses	(5,032)	(4,691)
Depreciation	(234)	(206)
Operating profit before amortization, and impairment of circulation and goodwill	714	692
Amortization (notes 8 and 9)	(117)	(112)
Impairment of circulation and goodwill (note 2)	(170)	—
Operating profit after amortization, and impairment of circulation and goodwill	427	580
Corporate and other	(46)	(42)
Net interest expense and other financing costs (note 3)	(145)	(155)
Income taxes (note 4)	(54)	(63)
Earnings before dividends declared on preference shares	182	320
Dividends declared on preference shares	(16)	(28)
Earnings attributable to common shares	166	292
Retained earnings at beginning of year	2,668	2,627
Dividends declared on common shares (note 13)	(254)	(251)
Retained earnings at end of year	2,580	2,668
Earnings per common share (note 5)	$0.30	$0.53

Financial Information

Consolidated balance sheet

(millions of US dollars)

	December 31 1992	1991
Assets		
Current assets:		
Cash and short-term investments, at cost which approximates market	315	382
Accounts receivable	658	671
Inventories	255	256
Prepaid expenses and other current assets	263	267
	1,491	1,576
Property and equipment (note 6)	1,353	1,378
Aircraft and spares (note 7)	587	723
Publishing rights and circulation (note 8)	2,667	2,687
Goodwill (note 9)	1,450	1,486
Other assets	359	316
	7,907	8,166
Liabilities and shareholders' equity		
Current liabilities:		
Short-term indebtedness	29	188
Accounts payable	841	898
Deferred revenue	470	526
Current portion of long-term debt and finance leases (notes 10 and 11)	41	23
	1,381	1,635
Long-term debt (note 10)	2,589	2,235
Finance leases (note 11)	394	517
Other liabilities	261	298
Deferred income taxes	275	259
	4,900	4,944
Shareholders' equity:		
Share capital (notes 12 and 13)	725	629
Cumulative translation adjustment	(298)	(75)
Retained earnings	2,580	2,668
	3,007	3,222
	7,907	8,166

Approved by the board

K. R. Thomson

Kenneth R Thomson, Director

Michael Brown

Michael Brown, Director

Consolidated statement of changes in cash position

(millions of US dollars except per common share amounts)

	Year ended December 31	
	1992	1991
Cash provided by (used for):		
Operations		
Earnings before dividends declared on preference shares	182	320
Add items not involving cash:		
Depreciation	234	206
Amortization	117	112
Impairment of circulation and goodwill	170	—
Deferred taxes	31	25
Other	22	25
	756	688
Changes in working capital and other items	(178)	(38)
	578	650
Investing activities		
Acquisitions of businesses (1)	(306)	(156)
Additions to property and equipment, less proceeds from disposals of $13 million (1991 – $6 million)	(257)	(276)
Additions to aircraft and spares, less proceeds from disposals of $66 million (1991 – $7 million)	(31)	(191)
	(594)	(623)
Financing activities		
Net change in long-term debt and finance leases	329	165
Retraction of preference shares	—	(147)
Dividends paid on preference shares	(16)	(28)
Dividends paid on common shares (note 13)	(158)	(160)
	155	(170)
	139	(143)
Translation adjustments	(47)	(4)
Increase (decrease) in cash (2)	92	(147)
Cash at beginning of year	194	341
Cash at end of year	286	194
Cash flow per common share provided by operations (before changes in working capital and other items) less dividends paid on preference shares (note 5)	$1.32	$1.19

(1) Acquisitions of businesses are shown net of cash acquired of $17 million (1991 – nil) and proceeds from disposals of businesses of $13 million (1991 – $6 million).

(2) Cash comprises cash and short-term investments less short-term indebtedness.

Segmented information

(millions of US dollars)

The principal activities of The Thomson Corporation (TTC) are specialized information and publishing, newspaper publishing, and leisure travel. TTC operates principally in the United States, the United Kingdom and Canada.

Business segments	Thomson Information/ Publishing (1)		Thomson Newspapers		Thomson Travel		Total	
	1992	1991	1992	1991	1992	1991	1992	1991
Sales	2,651	2,390	1,125	1,142	2,204	2,057	5,980	5,589
Depreciation	(112)	(101)	(51)	(42)	(71)	(63)	(234)	(206)
Operating profit before amortization and impairment (2)	401	363	198	228	115	101	714	692
Amortization	(81)	(77)	(33)	(32)	(3)	(3)	(117)	(112)
Impairment	(60)	—	(110)	—	—	—	(170)	—
Operating profit after amortization and impairment	260	286	55	196	112	98	427	580
Acquisitions of businesses	336	157	—	5	—	—	336	162
Additions to fixed assets (3)	129	110	90	129	69	228	288	467
Assets (4)	4,433	4,309	2,095	2,238	984	1,152	7,512	7,699

Geographic segments	United States		United Kingdom		Canada		Other Countries		Total	
	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991
Sales	2,295	2,050	3,002	2,838	526	552	157	149	5,980	5,589
Operating profit before amortization and impairment	424	389	192	186	75	96	23	21	714	692
Amortization	(92)	(86)	(19)	(19)	(2)	(3)	(4)	(4)	(117)	(112)
Impairment	(100)	—	(60)	—	(10)	—	—	—	(170)	—
Operating profit after amortization and impairment	232	303	113	167	63	93	19	17	427	580
Assets (4)	4,942	4,632	1,838	2,289	471	518	261	260	7,512	7,699

(1) Thomson Information/Publishing includes the operations of Thomson Regional Newspapers.

(2) Thomson Travel's operating profit before amortization includes $12 million (1991 – $5 million) of profits arising on the disposal of aircraft and excludes $26 million (1991 – $26 million) of net interest income.

(3) Additions to fixed assets, which comprise property and equipment and aircraft and spares, are shown net of proceeds from disposals of $79 million (1991 – $13 million).

(4) Segment assets exclude corporate cash and other assets of $395 million (1991 – $467 million).

Notes to consolidated financial statements

(unless otherwise stated, all figures are in millions of US dollars)

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements of TTC include all effectively controlled companies and are prepared in accordance with accounting principles generally accepted in Canada.

Foreign currency

Assets and liabilities of subsidiaries denominated in currencies other than US dollars are translated at December 31 rates of exchange and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are accumulated in a separate component of shareholders' equity. Other currency gains or losses are included in earnings.

The rates of exchange used to translate amounts expressed in the significant currencies other than US dollars are as follows:

	1992	1991
Pound sterling (US$ / £1)		
Average for the year	**$1.77**	$1.77
At December 31	**$1.51**	$1.87
Canadian dollar (US$ / Cdn $1)		
Average for the year	**$0.83**	$0.87
At December 31	**$0.78**	$0.86

Inventories

Inventories comprise principally finished goods and are valued at the lower of cost and net realizable value. Cost is determined principally on a first-in, first-out basis.

Property and equipment

Property and equipment are recorded at cost and depreciated on a straight line basis over their estimated useful lives. Buildings and building improvements are depreciated over lives ranging from 10 to 40 years. Machinery and equipment, including machinery and equipment held under finance leases, are depreciated over lives ranging from 3 to 25 years.

Aircraft and spares

Aircraft and spares, including aircraft held under finance leases, are depreciated on a straight line basis over their estimated useful lives, ranging from 14 to 20 years.

Publishing rights and circulation

Publishing rights and circulation are recorded at acquisition cost and are amortized over periods not exceeding 40 years. Any permanent impairment in the value of publishing rights and circulation is written off against earnings.

Goodwill

Goodwill represents the excess of the cost of the investment in acquired businesses over values attributed to underlying net tangible assets, publishing rights and circulation and is amortized over periods not exceeding 40 years. Any permanent impairment in the value of goodwill is written off against earnings.

Deferred revenue

Inclusive tour revenue due in advance is included in deferred revenue until the date of tour departure.

Subscription revenue received in advance of the delivery of services or publications is included in deferred revenue and as services are rendered or publications sent to subscribers the proportionate share is recognized as revenue.

Deferred income taxes

The tax allocation method is followed in providing for income taxes whereby earnings are charged with income taxes relating to reported profits. Differences between such taxes and taxes currently payable, which result from timing differences between the recognition of income and expenses for accounting and tax purposes, are reflected as deferred income taxes.

2. Impairment of circulation and goodwill

As a result of a review of the newspaper operations in both North America and the UK, an impairment of $170 million or $0.30 per common share (1991 – nil) in the carrying values of circulation and goodwill of certain newspapers was identified and written off against earnings.

3. Net interest expense and other financing costs

	1992	1991
Interest income	53	65
Interest on long-term debt and finance leases (1)	(180)	(208)
Interest on short-term indebtedness	(18)	(12)
	(145)	(155)

(1) Interest on long-term debt and finance leases includes dividends declared on preference shares of a subsidiary.

4. Income taxes

Income taxes of $54 million (1991 – $63 million) as a percentage of pre-tax earnings of $236 million (1991 – $383 million) are 22.9% (1991 – 16.4%). This effective tax rate differs from the Canadian corporate tax rate of approximately 44% (1991 – 44%) due principally to the effect of lower tax rates in other countries.

5. Earnings and cash flow per common share

The weighted average number of common shares outstanding in 1992 was 562,382,367 (1991 – 555,537,780).

6. Property and equipment

	1992	1991
Land and buildings	605	602
Machinery and equipment	1,434	1,381
Machinery and equipment held under finance leases	126	146
	2,165	2,129
Accumulated depreciation	(812)	(751)
	1,353	1,378

7. Aircraft and spares

	1992	1991
Aircraft and spares	306	457
Aircraft held under finance leases	495	529
	801	986
Accumulated depreciation	(214)	(263)
	587	723

8. Publishing rights and circulation

	1992	1991
Publishing rights and circulation	2,905	2,803
Accumulated amortization	(238)	(116)
	2,667	2,687

Accumulated amortization includes amortization of publishing rights and circulation in 1992 of $73 million (1991 – $67 million), and impairment of circulation in 1992 of $64 million (1991 – nil).

9. Goodwill

	1992	1991
Goodwill	1,759	1,653
Accumulated amortization	(309)	(167)
	1,450	1,486

Accumulated amortization includes amortization of goodwill in 1992 of $44 million (1991 – $45 million), and impairment of goodwill in 1992 of $106 million (1991 – nil).

10. Long-term debt

	1992	1991
Bank – secured 1993-1999	9	34
Bank – unsecured 1993-1999 (1)	1,291	1,298
Eurobonds – unsecured 1994	105	105
Debentures – unsecured 1996-2002	774	564
US private placements – unsecured 1994-1999	415	240
	2,594	2,241
Portion included in current liabilities	(5)	(6)
	2,589	2,235

(1) Includes preference shares of a subsidiary of $756 million (1991 – $756 million) issued to certain banks.

After taking account of hedging arrangements, long-term debt is denominated in the following currencies:

	1992	1991
US dollars	2,471	2,212
Pounds sterling	36	19
Other currencies	87	10
	2,594	2,241

The average effective cost of borrowing at December 31, 1992 was 5.5% (1991 – 6.0%) after adjusting for hedging arrangements.

Maturities in each of the next five years and thereafter are: $5 million in 1993, $721 million in 1994, $404 million in 1995, $127 million in 1996, nil in 1997, and $1,337 million in 1998 and thereafter.

11. Finance leases

Finance lease obligations in respect of aircraft and newspaper presses are as follows:

	1992	1991
Total future minimum lease payments	781	1,066
Imputed interest	(351)	(532)
	430	534
Portion included in current liabilities	(36)	(17)
	394	517
Aircraft	306	388
Newspaper presses	124	146
	430	534

Future minimum lease payments are $70 million in 1993, $38 million in 1994, $40 million in 1995, $42 million in 1996, $44 million in 1997, and $547 million in 1998 and thereafter.

After taking account of hedging arrangements, the outstanding finance lease obligations, net of imputed interest, are denominated in the following currencies:

	1992	1991
Pounds sterling	300	400
US dollars	130	134
	430	534

The average imputed interest rate at December 31, 1992 was 5.4% (1991 – 8.9%) after adjusting for hedging arrangements.

12. Preference share capital

	1992		1991	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Series I	66,768	1	66,768	1
Series II	6,000,000	110	6,000,000	110
Series III	4,000,000	74	4,000,000	74
Series IV	2,000,000	38	2,000,000	38
		223		223

The authorized preference share capital of TTC is an unlimited number of preference shares without par value. The directors are authorized to issue preference shares without par value in one or more series, and to determine the number of shares in and terms attaching to each such series.

Series I, Cdn $1.85 cumulative redeemable retractable preference shares

The Series I preference shares are non-voting and are redeemable at the option of TTC until October 15, 1993 for Cdn $25.25 per share and thereafter for Cdn $25.00 per share, together in each case with accrued dividends. On October 15, 1991, 7,933,232 shares out of 8,000,000 shares issued were retracted by the holders for Cdn $25.00 per share. The total number of authorized Series I preference shares is 2,066,768.

Series II, cumulative redeemable floating rate preference shares

The Series II preference shares are non-voting and are redeemable at the option of TTC for Cdn $25.00 per share, together with accrued dividends. Dividends are payable quarterly thereon at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares. The total number of authorized Series II preference shares is 6,000,000.

Series III, Cdn $1.825 cumulative redeemable retractable preference shares

The Series III preference shares are non-voting and are retractable on December 30, 1993 at the option of the holder for Cdn $25.00 per share and are redeemable after December 30, 1993 at the option of TTC for Cdn $25.00 per share, together in each case with accrued dividends. Dividends are payable quarterly thereon at Cdn $1.825 per share per annum. The total number of authorized Series III preference shares is 4,000,000.

Series IV, Cdn $1.84375 cumulative redeemable retractable preference shares

The Series IV preference shares are non-voting and retractable on June 15, 1995 at the option of the holder for Cdn $25.00 per share and are redeemable after June 15, 1993 at the option of TTC until June 15, 1994 for Cdn $25.50 per share, thereafter and until June 15, 1995 for Cdn $25.25 per share, and thereafter for Cdn $25.00 per share, together in all cases with accrued dividends. Dividends are payable quarterly thereon at Cdn $1.84375 per share per annum. The total number of authorized Series IV preference shares is 2,000,000.

13. Common share capital and dividends

TTC common shares

	1992		1991	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Balance at beginning of year	559,459,096	406	552,842,616	315
Issued	7,791,316	96	6,616,480	91
Balance at end of year	567,250,412	502	559,459,096	406

The common shares are voting shares. The authorized common share capital of TTC is an unlimited number of shares.

Holders of the common shares may participate in the dividend reinvestment plan under which cash dividends are automatically reinvested in new common shares having a value equal to the cash dividend. Such shares are valued at the weighted average price at which the common shares were traded on The Toronto Stock Exchange during the five trading days immediately preceding the record date for such dividend.

TTCPLC common shares

Linked to 238,382,873 of the common shares of TTC (1991 – 238,903,185) are the same number of related common shares of The Thomson Corporation PLC (TTCPLC) of 1 sterling penny each. Included in the stated capital of TTC is $4 million (1991 – $4 million) in respect of these shares.

The authorized common share capital of TTCPLC is 300,000,000 shares of 1 sterling penny each. The TTCPLC common shares are non-voting and may be redeemed by TTCPLC at any time at their par value on not less than one month's prior notice. All of the voting ordinary shares of TTCPLC are held directly and indirectly by TTC.

Dividends will be paid on the TTCPLC common shares in pounds sterling unless the shareholder has elected to receive dividends on the related TTC common shares. Dividends on the TTCPLC common shares are payable in priority to dividends on the TTCPLC voting ordinary shares.

Holders of the TTCPLC common shares may also participate in the dividend reinvestment plan and during 1992, 441,149 (1991 – 399,918) of such shares were issued under the plan.

If at any time, any TTCPLC common shares are both registered on the Canadian branch register of TTCPLC and held by shareholders who have elected to receive dividends on their common shares of TTC rather than on the related TTCPLC common shares, such TTCPLC common shares will be redeemed by TTCPLC at par. During 1992, 961,461 (1991 – 873,668) TTCPLC common shares were redeemed in this way.

Dividends

Dividends on the TTC common shares are declared and payable in US dollars. Dividends declared per common share in 1992 were 45.2 cents (1991 – 45.2 cents). Equivalent dividends of 25.4521 pence (1991 – 25.8317 pence) were paid per related common share of TTCPLC. Shareholders have the option of receiving dividends on the TTC common shares in equivalent Canadian funds.

In the consolidated statement of changes in cash position, dividends paid on common shares are shown net of $63 million (1991 – $73 million) reinvested in common shares issued under the dividend reinvestment plan and $33 million (1991 – $18 million) by way of private placements of common shares to TTC's major shareholders. These private placements discharged, in part, the commitment of TTC's major shareholders to participate in the plan to the extent of 50% of the dividends received on the TTC common shares directly and indirectly owned by them. TTC's major shareholders acquired these common shares on the same terms and conditions under which TTC issues common shares to shareholders participating in the plan.

14. Pension plans

TTC maintains pension plans which cover most of its employees. TTC uses the accrued benefit actuarial method and best estimate assumptions to determine pension costs, liabilities and other pension information for defined benefit plans.

Aggregate defined benefit plan details:	1992	1991
Pension expense for the year	16	15
Present value of accumulated benefit obligation as at December 31	433	422
Market value of plan assets as at December 31	631	591

Pension expense for the year in respect of defined contribution plans is $22 million (1991 – $20 million). Other post-employment benefit arrangements vary by business and geographic segment and, where they do exist, the costs of these are expensed as incurred.

15. Contingencies and commitments

Operating leases

Operating lease payments in 1992 were $140 million (1991 – $131 million). The future minimum operating lease payments are $140 million in 1993, $132 million in 1994, $121 million in 1995, $111 million in 1996, $97 million in 1997, and $526 million in 1998 and thereafter.

Capital commitments

Capital expenditures contracted for, but for which no related liability had been incurred at December 31, 1992, amounted to $86 million, including $74 million in respect of aircraft for delivery in 1993.

Subsequent to the year-end, contracts were entered into in respect of aircraft for delivery in 1994 and 1995. Commitments for these aircraft amounted to $234 million.

16. Acquisitions of businesses

In 1992, several businesses were acquired for an aggregate cash consideration of $336 million (1991 – $162 million). Details of the net assets acquired are as follows:

	1992	1991
Working capital	(44)	(9)
Property and equipment	14	9
Publishing rights and circulation	236	134
Goodwill	139	55
Other assets	—	1
Long-term debt and other liabilities	(9)	(28)
Cost	336	162

Allocations related to certain acquisitions may be subject to adjustment pending final valuation.

17. Financial instruments

TTC enters into hedging arrangements through the forward currency exchange and swap markets to minimize its exposure to foreign currency and interest rate fluctuations.

18. Segmented information

See page 35.

19. Comparative figures

The comparative figures have been reclassified where necessary to conform with the current year's presentation.

Major Businesses and Products

THOMSON NEWSPAPERS
North America

Publishers of the largest number of daily newspapers in both the United States and Canada serving mainly small to medium-sized communities. Thomson Newspapers also publishes 54 non-dailies.

CANADIAN DAILY NEWSPAPERS

British Columbia
KELOWNA Daily Courier*
NANAIMO Daily Free Press
PENTICTON Herald
VERNON Daily News
VICTORIA Times-Colonist*

Alberta
LETHBRIDGE Herald*

Saskatchewan
MOOSE JAW Times-Herald
PRINCE ALBERT Daily Herald

Manitoba
BRANDON Sun*
WINNIPEG Free Press*

Ontario
BARRIE Examiner*
BELLEVILLE Intelligencer*
CAMBRIDGE Reporter
CHATHAM Daily News
CORNWALL Standard-Freeholder
GUELPH Mercury*
KIRKLAND LAKE Northern Daily News
LINDSAY Daily Post
NIAGARA FALLS Review
ORILLIA Packet & Times*
OSHAWA Times
PEMBROKE Observer
PETERBOROUGH Examiner*
ST THOMAS Times-Journal
SARNIA Observer
SIMCOE Reformer
SUDBURY Star*
THUNDER BAY Times-News/Chronicle-Journal*
TIMMINS Daily Press
TORONTO Globe and Mail
WELLAND Evening Tribune
WOODSTOCK Daily Sentinel-Review

Nova Scotia
NEW GLASGOW Evening News
SYDNEY Cape Breton Post
TRURO Daily News

Prince Edward Island
CHARLOTTETOWN Guardian/Evening Patriot

Newfoundland
CORNER BROOK Western Star
ST JOHN'S Evening Telegram*

UNITED STATES DAILY NEWSPAPERS

Alabama
DOTHAN Eagle*
ENTERPRISE Ledger*
OPELIKA-AUBURN News*

Arkansas
FAYETTEVILLE Northwest Arkansas Times*

California
BARSTOW Desert Dispatch
EUREKA Times-Standard*
OXNARD Press-Courier*
PASADENA Star-News*
SAN GABRIEL VALLEY Tribune*
WHITTIER Daily News*
YREKA Siskiyou Daily News

Connecticut
CONNECTICUT Post*

Florida
KEY WEST Citizen*
MARIANNA Jackson County Floridan*
ORANGE PARK Clay Today

Georgia
AMERICUS Times-Recorder
CORDELE Dispatch
DALTON Daily Citizen-News*
GRIFFIN Daily News*
THOMASVILLE Times-Enterprise*
TIFTON Gazette
VALDOSTA Daily Times*

Illinois
JACKSONVILLE Journal Courier*
MOUNT VERNON Register-News
STERLING-ROCK FALLS Daily Gazette*

Indiana
ANDERSON Herald-Bulletin*
KOKOMO Tribune*
NEW ALBANY Tribune*
RENSSELAER Republican
TERRE HAUTE Tribune-Star*
VALPARAISO Vidette-Messenger*

Iowa
COUNCIL BLUFFS Daily Nonpareil*
OELWEIN Daily Register

Kansas
ATCHISON Daily Globe*
LEAVENWORTH Times*

Kentucky
CORBIN Times Tribune*
RICHMOND Register

Louisiana
LAFAYETTE Daily Advertiser*

Maryland
CUMBERLAND Times-News*
SALISBURY Daily Times*

Massachusetts
FITCHBURG Sentinel and Enterprise*
TAUNTON Daily Gazette

Michigan
ADRIAN Daily Telegram*
BENTON HARBOR-ST JOSEPH Herald-Palladium
ESCANABA Daily Press
HOUGHTON Daily Mining Gazette
IRON MOUNTAIN Daily News
MARQUETTE Mining Journal*

Minnesota
WORTHINGTON Daily Globe

Mississippi
LAUREL Leader-Call

Missouri
CARTHAGE Press
MEXICO Ledger
SEDALIA Democrat*
SIKESTON Standard Democrat*

New Hampshire
PORTSMOUTH Herald*

New York
HERKIMER Evening Telegram
OLEAN Times-Herald*
OSWEGO Palladium-Times

North Carolina
ELIZABETH CITY Daily Advance*
MONROE Enquirer-Journal*
ROCKY MOUNT Evening Telegram*
SHELBY Star*

North Dakota
DICKINSON Press*

Ohio
ASHTABULA Star-Beacon*
CANTON Repository*
COSHOCTON Tribune*
EAST LIVERPOOL Evening Review
GREENVILLE Daily Advocate
HAMILTON Journal-News*
LANCASTER Eagle-Gazette*
MANSFIELD News Journal*
MARION Star*
MIDDLETOWN Journal*
NEWARK Advocate*
PIQUA Daily Call
PORTSMOUTH Daily Times*
SALEM News
STEUBENVILLE Herald-Star*
WARREN Tribune Chronicle*
XENIA Daily Gazette
ZANESVILLE Times Recorder*

Oklahoma
ADA Evening News*
ENID News & Eagle*

Pennsylvania
ALTOONA Mirror*
CONNELLSVILLE Daily Courier
EASTON Express-Times*
HANOVER Evening Sun*
KITTANNING Leader-Times
LEBANON Daily News*
LOCK HAVEN Express
MEADVILLE Tribune*
MONESSEN Valley Independent
NEW CASTLE News
SHAMOKIN News-Item

South Carolina
FLORENCE Morning News*

South Dakota
MITCHELL Daily Republic

Texas
BIG SPRING Herald*
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MARSHALL News Messenger*

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ST GEORGE Daily Spectrum*

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PETERSBURG Progress-Index*

West Virginia
BECKLEY Register-Herald*
BLUEFIELD Daily Telegraph*
CHARLESTON Daily Mail*
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Wisconsin
APPLETON Post-Crescent*
FOND DU LAC Reporter*
MANITOWOC Herald-Times-Reporter*
SHEBOYGAN Press*
WAUKESHA Freeman
WEST BEND Daily News
WISCONSIN RAPIDS Daily Tribune

*Also publishes Sunday

Major Businesses and Products

THOMSON INFORMATION/PUBLISHING GROUP

In total, the information/publishing group has approximately 50,000 individual products including 124 magazines and 108 newspapers, 709 subscription-based journals, over 39,000 books and directories, 190 on-line services, 161 CD-ROM products and more than 9,600 other products, mainly newsletters, loose-leaf services, microform products and software packages.

THOMSON INFORMATION SERVICES

United Kingdom

Information services, legal, professional, scientific and academic publishing, local directories and magazines, based principally in the UK, Scandinavia and Australia. Principal imprints, products and companies include:

CHAPMAN & HALL
CONSTRUCTION NEWS
CORDELL
GEE
GLASS'S GUIDE
GLENIGAN INFORMATION SERVICES
W GREEN
INTERNATIONAL THOMSON PUBLISHING SERVICES
JANE'S INFORMATION GROUP
KARNOV
THE LAW BOOK COMPANY
MOSTRUP DIRECTORIES
NFER-NELSON
POLICE REVIEW
RAPID COMMUNICATIONS OF OXFORD
RKI
ROUTLEDGE
E & F N SPON
SWEET & MAXWELL
THOMSON DIRECTORIES

INTERNATIONAL THOMSON PUBLISHING

North America

Specialized publishing and library information group, serving worldwide markets in the education, professional/reference and library fields. Principal imprints include:

BOYD & FRASER
BROOKS/COLE
COURSE TECHNOLOGY
DELMAR
GALE RESEARCH
HEINLE & HEINLE
MILADY
NELSON CANADA
RESEARCH PUBLICATIONS
SOUTH-WESTERN PUBLISHING CO
THOMAS NELSON AUSTRALIA
THOMAS NELSON (UK)
VAN NOSTRAND REINHOLD
WADSWORTH

THOMSON PROFESSIONAL PUBLISHING

North America

Publishers of primary, analytical and business information provided in both print and electronic formats meeting the needs of professionals dealing with US and Canadian legal, tax, accounting, human resource, business and regulatory issues. Principal imprints and companies include:

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CARSWELL
CLARK BOARDMAN CALLAGHAN
FAULKNER & GRAY
LAWYERS COOPERATIVE PUBLISHING
PRACTITIONERS PUBLISHING COMPANY
RESEARCH INSTITUTE OF AMERICA
THOMSON & THOMSON
THOMSON ELECTRONIC PUBLISHING
WARREN GORHAM LAMONT

THOMSON REGIONAL NEWSPAPERS

United Kingdom

The largest publisher of regional and local newspapers in the UK. Paid titles consist of 4 morning, 7 evening, 4 Sunday and 20 weekly newspapers. TRN also publishes the Herald & Post series of weekly free newspapers. Principal publications include:

THE SCOTSMAN (EDINBURGH)
BELFAST TELEGRAPH (NORTHERN IRELAND)
WESTERN MAIL (CARDIFF)
PRESS AND JOURNAL (ABERDEEN)
EVENING CHRONICLE (NEWCASTLE)
SCOTLAND ON SUNDAY (EDINBURGH)
SUNDAY LIFE (BELFAST)
WALES ON SUNDAY (CARDIFF)
EVENING GAZETTE (TEESSIDE)
CHESTER CHRONICLE (CHESTER)

THOMSON BUSINESS INFORMATION

North America

Publishers of a substantial number of print and electronic information products and services for the worldwide scientific, technical and medical markets. Principal companies and imprints include:

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CROSSAIG
DERWENT PUBLICATIONS
FRAMES DATA
INSTITUTE FOR SCIENTIFIC INFORMATION
McKNIGHT MEDICAL PUBLICATIONS
MEDEC DENTAL COMMUNICATIONS
MEDICAL ECONOMICS DATA
MEDICAL ECONOMICS PUBLISHING
MICROMEDEX
MITCHELL INTERNATIONAL
NATIONAL AUTO GLASS SPECIFICATIONS
RESEARCH INFORMATION SYSTEMS
THOMSON HEALTHCARE COMMUNICATIONS
VETERINARY MEDICINE PUBLICATIONS

THOMSON FINANCIAL SERVICES

North America

Provides quality information, research, analysis and software to the worldwide financial and corporate communities. Principal companies and products include:

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AMERICAN BANKER/THE BOND BUYER
ASSET BACKED SECURITIES GROUP
AUTEX
CDA INVESTMENT TECHNOLOGIES
FIRST CALL
ILX SYSTEMS
INTERNATIONAL FINANCING REVIEW
INVESTEXT
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PORTIA
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SECURITIES INFORMATION CENTER
TECHNICAL DATA
THOMSON BANKWATCH
THOMSON FINANCIAL PUBLISHING
THOMSON INSTITUTIONAL WORKSTATION
VALORINFORM

Major Businesses and Products

THOMSON TRAVEL GROUP

United Kingdom

One of the world's leading leisure air travel and holiday groups with market leadership positions in UK tour operating, travel retailing and leisure airline operations.

THOMSON TOUR OPERATIONS

The UK's largest inclusive tour operator, carrying 3.3 million passengers in 1992, 27% of all Britain's air inclusive tour holidaymakers. Brands include Thomson Holidays, Skytours, Portland Holidays and Horizon Holidays.

BRITANNIA AIRWAYS

Britain's leading leisure airline with a fleet of 36 Boeing 737s, 757s and 767 wide-bodied aircraft. In 1992 the airline carried 6.9 million passengers.

LUNN POLY

Through its chain of 578 holiday shops, Lunn Poly is the leading UK retailer of overseas inclusive tours.

Corporate Information

The Thomson Corporation (TTC) was incorporated under the laws of Ontario, Canada by articles of incorporation dated December 28, 1977. Its articles have been amended from time to time and were restated as amended on August 31, 1989. TTC's registered office is at Suite 2706, Toronto Dominion Bank Tower, PO Box 24, Toronto Dominion Centre, Toronto, Ontario M5K 1A1, Canada.

Capital stock

The capital stock of TTC consists of non-voting preference shares and voting common shares. For further details see notes 12 and 13 to the consolidated financial statements on pages 40 and 41.

Listing of capital stock

The common shares of TTC are listed on The Toronto Stock Exchange and the Montreal Exchange under the ticker symbol TOC. In addition, the common shares of TTC, together with related common shares of The Thomson Corporation PLC (TTCPLC), TTC's principal UK subsidiary, are listed on The London Stock Exchange. TTC's preference shares are listed on The Toronto Stock Exchange.

Financial calendar

Registered shareholders of TTC automatically receive the annual report, the information circular relating to the annual meeting and any other important notices distributed by TTC. TTC's financial year ends on December 31 and the annual report is usually mailed in April. Quarterly reports are mailed in May, August and November to shareholders who have elected to receive them. The form of election accompanies the proxy material for annual meetings.

Common share dividends

Dividends on TTC's common shares are declared in US dollars at the discretion of the directors and are payable quarterly on March 15, June 15, September 15 and December 15, or, if a holiday, on the first business day thereafter. TTC has arranged for such dividends to be paid in either Canadian or US currency at the holder's option. Dividends paid in Canadian dollars will be in an amount equivalent to the amount payable in US dollars converted at the Bank of Canada noon rate of exchange on the record date for each dividend.

Holders of related common shares of TTCPLC may elect to receive equivalent dividends in pounds sterling from TTCPLC on such related common shares in lieu of dividends from TTC on their TTC common shares. Dividends paid in pounds sterling will be in an amount equivalent to the amount payable in US dollars converted at the spot rate of exchange for the sale of US dollars into pounds sterling at 3.00 pm London time on the business day prior to that on which the dividend on the TTC common shares was declared.

Dividend reinvestment plan

TTC has a dividend reinvestment plan under which common shareholders may elect to have cash dividends reinvested in common shares. Shareholders who receive their dividends from TTC will receive additional common shares of TTC and shareholders who receive dividends from TTCPLC will also receive additional common shares of TTCPLC. At the present time, the plan is not available to residents or persons located in the US.

Annual meeting

Thursday, May 20, 1993, 11.30 am,
Roy Thomson Hall, 60 Simcoe Street,
Toronto, Ontario, Canada.

The environment

TTC has an environmental policy and ensures that each of its operating businesses, in every country where business is carried on, identifies and evaluates the significant potential environmental effects of its activities; understands the environmental legislation and regulations applicable to such activities; takes all reasonable steps to ensure compliance with applicable legislation and regulations consistent with industry standards; and generally conducts its operations in a way which minimizes adverse risk to the environment.

Further information

For further information about any aspect of the Corporation please write to the TTC addresses listed on the inside back cover.

Directors and Senior Management of The Thomson Corporation and Principal Operating Groups

BOARD OF DIRECTORS, THE THOMSON CORPORATION

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John A Tory
Deputy Chairman

W Michael Brown
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Robert C Hall
Executive Vice-President; President/Chief Executive Officer, Thomson Information/Publishing Group

Nigel R Harrison
Executive Vice-President and Chief Financial Officer

Michael W Johnston
Executive Vice-President; President/Chief Executive Officer, Thomson Newspapers

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William J DesLauriers

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C Edward Medland

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David K R Thomson

Richard M Thomson

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Robert Kiernan
Managing Director, Thomson Information Services

Andrew G Mills
President/Chief Executive Officer, Thomson Financial Services

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Chief Executive, Thomson Regional Newspapers

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Jerrell W Shelton
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Henry G Ciocca
Executive Vice-President

Gerald D Tenser
Vice-President

Eugene V Gartlan
Vice-President/Chief Financial Officer

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Executive Vice-President; Chief Operating Officer

Joseph F Barletta
Senior Vice-President; Chief Operating Officer, United States

R Michael Sheppard
Senior Vice-President; Chief Operating Officer, Canada

Michael J O'Neill
Senior Vice-President, Finance and Treasurer

Michel Frappier
Senior Vice President, Corporate Development

Hunter T George
Vice-President; Director of Editorial Development

Allan R Weir
Vice-President; Director of Human Resources

C David Clark
Vice-President; Chairman and Publisher, The Globe and Mail

OFFICERS OF THOMSON TRAVEL GROUP

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Chairman/Chief Executive Officer

Martin de S Brackenbury
Director – Development and Human Resources

Roger D Burnell
Managing Director, Britannia Airways

Michael Frith
Financial Director

Charles E Newbold
Managing Director, Thomson Tour Operations

Ian Smith
Managing Director, Lunn Poly

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